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A NATO STRATEGY FOR THE 1990'S

HEARING

BEFORE THE

SUBCOMMITTEE ON
EUROPEAN AFFAIRS

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

U.S. POLICY TOWARD EAST EUROPE, WEST EUROPE AND THE SOVIET UNION

OCTOBER 3, 1985

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A NATO STRATEGY FOR THE 1990'S

THURSDAY, OCTOBER 3, 1985

United States Senate,
Subcommittee on European Affairs, of the
Committee on Foreign Relations,
Washington, DC.

The subcommittee met at 10:08 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Larry Pressler (chairman of the subcommittee) presiding.

Present: Senators Pressler, Zorinsky, and Dodd.

Senator Pressler. I will call this hearing to order.

Good morning, and welcome to the sixth session of our NATO hearings entitled, "Is NATO Still the Centerpiece of U.S. Foreign Policy? Should It Be?"

This morning's session will focus on a NATO policy for the 1990's, and this afternoon we will conclude our series with a final and very interesting session on "Agriculture and Trade in NATO: Competing Priorities in United States-European Policy."

Copies of today's testimony are available on the table outside the door and in the press room, No. 415.

Earlier this year, Senator Lugar chaired comprehensive hearings on U.S. foreign policy, and expressed a desire that each subcommittee hold indepth hearings in their particular areas. We have been examining Europe, not only Western Europe but Eastern Europe, the Soviet Union, Nordic Europe and the Greek-Turkish part of Europe. We have also examined both NATO and Warsaw Pact issues.

This morning we are extremely fortunate to have with us Ms. Jeane Kirkpatrick. She is currently a senior fellow at the American Enterprise Institute and also Leavey professor of government at Georgetown University.

Ms. Kirkpatrick was President Reagan's Ambassador to the United Nations until this year.

Ms. Kirkpatrick holds an A.A. from Stevens College, B.A. from Barnard, and an M.A. and Ph.D. from Columbia University in political science.

In 1985, she was awarded the Medal of Freedom by the President. She has also been a prolific writer, including "Dictatorships and Double Standards" in 1982, "The Reagan Phenomenon" in 1983, and "Political Woman" in 1974.

We welcome Jeane Kirkpatrick, who has been before this committee many times and is a very good friend.

STATEMENT OF JEANE KIRKPATRICK, SENIOR FELLOW, THE AMERICAN ENTERPRISE INSTITUTE, AND FORMER U.S. AMBASSADOR TO THE UNITED NATIONS

Ambassador KIRKPATRICK. Thank you, Senator Pressler. It is, of course, a distinct pleasure to be before the committee this morning to discuss this most extremely important subject.

I think that the hearings are timely, and I congratulate the committee and its members for having undertaken them.

I believe that we stand at the end of an era and that we confront new realities, and these new realities require some new thinking and new responses.

As in life generally, and in foreign affairs, our discussion is too often encrusted with layers, I think, of past hopes and fears, past disagreements, some of them very bitter, and past misunderstandings.

I think that to approach the question of NATO in the 1990's and NATO as a priority for our foreign policy, it is, as always, useful to recall what NATO is, what it was conceived to be. Especially, I think, it is important to recall that NATO was a response to some quite specific problems which came into being at the end of World War II.

NATO was not a postwar institution born of long-range hopes and desires of Americans in the way that the United Nations was. It was a response to some very specific problems, notably the perceived threat to the institutions, political and economic, of the independent nations of Western Europe.

President Truman made this very clear in his address to the Congress when he said,

> Since the close of the hostilities, the Soviet Union and its agents have destroyed the independence and democratic character of a whole series of nations in Eastern and Central Europe. It is this ruthless course of action and the design to extend it to the remaining free nations of Europe that have brought about the critical situation in Europe today. The tragic death of the Republic of Czechoslovakia has sent a shock throughout the civilized world. Now pressure is being brought to bear on Finland, to the hazard of the entire Scandinavian peninsula. Greece is under direct military attack from rebels actively supported by her Communist neighbors. In Italy, a determined and aggressive effort is being made by a Communist minority to take control of that country. The methods vary, but the pattern is all too clear.

The point that I think needs to be underscored is that NATO was a response to a very specific problem. It was a pragmatic response, if you will, to a real problem that was perceived not only by Americans, but also by the leaders of the nations of Western Europe.

I think we could not deny that there was also present in the founding of Europe, President Harry Truman's own commitment to the doctrine of collective security and the hope of constructing institutions which would contain, reduce, and eventually eliminate conflict.

I was very struck recently by reading an essay of Clark Clifford's, in which he tells us that President Truman, as Senator Truman, carried in his wallet one of the verses from Tennyson's "Locksley Hall," specifically the verse which says, "Till the war-drum throbb'd no longer, and the battle-flags were furl'd, In the Parliament of man, the Federation of the world * * *" we would continue to work.

I think it is in that spirit that President Harry Truman was working and in that spirit that NATO was, in fact, founded.

That element of the Truman doctrine was enunciated in the principle that came to bear his name in which he asserted on March 12, 1947, "I believe that it must be the policy of the United States to support free peoples who are resisting attempted aggression by armed minorities and outside pressures."

He felt and the countries of Europe felt that they were resisting armed minority and outside pressures producing political instability, enhancing economic devastation, and threatening their national independence.

Now, I think, a second major point that I would like to underscore is that NATO grew out of an initiative in which the U.S. role was only one element. There had already been a European initiative embodied in the Treaty of Brussels, which was comprised of the nations of Belgium, France, Luxembourg, the Netherlands, and the United Kingdom.

It is also true that President Truman emphasized that European initiative and resolve when he presented the NATO Treaty, the project, if you will, to the American people and to the American Congress.

This bit of history, I think, is useful to remind us about what the purposes of NATO were conceived to be and have for most of the time until now continue to be conceived to be by most of the members of NATO; namely, to provide a response to a felt threat of Soviet expansion through either aggression or destabilization in Western Europe, and to provide that collective security by the means of collective defense.

I do not think we need to enter here the revisionist debates which have figured importantly in the academic world in the last decade and to some extent in the political world as well. But I think it is clear that these were the American purposes in the establishment of NATO and the purposes of our Western European allies.

The third point I should like to emphasize is that NATO has been the great success story for American foreign policy in this century. It is the monument, if you will, to our participation in collective security and collective defense arrangements.

There is not much doubt that when President Reagan spoke this year from Germany, France, and Italy, he spoke from the scene of our greatest success ever in foreign policy; 40 years of peace followed. Economic development followed. Democratic institutions took root and thrived in those nations in Western Europe where they had not existed before World War II, at least in the period before World War II.

What developed in Western Europe was almost exactly what we had hoped would develop and to which we had contributed: Prosperous, independent, democratic nations, strengthened by cooperation with each other and with us.

I believe that we need also to be reminded that NATO, conceived as a tool, has continued to function as a tool, a tool to accomplish some fairly specific purposes.

Now, it is not necessary to debate the fact that there have been important changes in the world in the period since NATO was established, even in the period since some major objectives of NATO have been achieved; that is, in the 40 years since World War II, or the nearly 40 years since the NATO Treaty was signed, we have seen not only 40 years of peace and the rise of democracy and development in Europe and the reinforcement of democracy and development in Europe, but we have also seen the emergence of a Western Europe which is economically much stronger than the Soviet Union and the Soviet bloc, whose population is larger than the Soviet Union and the Soviet bloc, and a Western Europe which has been perhaps more sensitive than we to the limited purposes of NATO.

We have perhaps also seen the most important development in Europe in the last postwar period, and that is the establishment of the European Community.

The European Community is strictly a European membership, though the initiative was, of course, both American and European. But the fact is that the European Community has also taken root and produced a new institution and a new frame of reference and focus of communication for European nations to think about their position in the world, their respective foreign policies, and their defense.

I think that from time to time, when U.S. foreign policy and the foreign policy of the other NATO countries has diverged, we have had the opportunity to be reminded, one, that the focus of the NATO Treaty is limited to the collective defense of those nations; and, two, that the defense of the NATO nations is not identical with the defense of any one of those nations except insofar as the parties to the treaty interpret any attack on any NATO partner from any source as an attack on them all.

There is an ambiguity here which has been present from the beginning and remains to this day.

I think that the American dominance in the post-World War II world and in the institutions of the immediate post-World War II world have produced certain distortions which, in some sense, have negative effects on our foreign policy today.

It has produced a notion that the United States had some sort of contest with the Soviet Union for world dominance. The model of superpower rivalry, which is so exceedingly influential today, derives, I think, from a conception of the Warsaw Pact Alliance as a collective security arrangement dominated by the Soviet Union, and NATO as a collective security arrangement dominated by the United States.

I believe that this is a profound distortion of reality. I do not believe that the United States and the Soviet Union are engaged in any sort of struggle for world dominance, or conquest, or hegemony. I do not believe that there is symmetry between the goals, the methods, or the motives of the United States and the Soviet Union. I believe that American motives in the conduct of international relations, in fact, remain and should remain very much what they were at the time of the founding of NATO; namely, to assist in maintaining a world of independent nations, a world in which problems are solved not by force but by negotiations, but not a world in which one or two or three large powers exercise some sort of effective hegemony over smaller client states.

I think it is very important that the U.S. foreign policy be clear about the fact that we neither seek nor accept client states.

Our goal has not been the enhancement of American power through the development of an American empire or American hegemony, and NATO has not been a tool of American empire or American hegemony.

I think this is important to underscore because I believe that, even amongst ourselves today, there is real confusion on this point. I think we need to be clearer than we are about the fact that today, as of the time of NATO's founding, the United States "rivalry," if you will, or disagreements with the Soviet Union, are not essentially different than those of any other nation which is interested in maintaining its own independence and a world of independent nations with whom we can trade and travel and live at peace.

I believe that the NATO response to the postwar world has inevitably been affected by subsequent developments, not only the emergence of the European Community but also the emergence of other centers of conflict. It is perfectly clear that the United States and the Soviet Union, the so-called East-West conflict, is not the only important conflict in the contemporary world or the only source of conflict.

There are, of course, multiple conflicts and sources of conflict which have little, at best marginal, relations to United States-Soviet differences.

A very good example, almost a classic example, is, I think, the Iran-Iraq war. I would not say that it is without some ultimate potential implications for East-West relations or United States-Soviet relative positions: But the Iran-Iraq war is a very good example of a conflict rooted in ancient traditional rivalries, fueled by contemporary mutual hatreds and continuing almost independently of East-West factors.

A third major development in the post-World War II period, post-NATO period certainly, is the evolution of the Soviet empire. One of the measures of the success of NATO is the fact that only in Western Europe have we an area, a hemisphere, if you will, a continent, in which there has been no Soviet expansion in the post-NATO period, throughout most of the postwar epoch.

In all other hemispheres, we have seen, in fact, the growth of a rather large number of states whose leadership was assisted to power by Soviet bloc material and men and who are propped up or assisted by Soviet and Soviet bloc personnel and arms, and who are integrated into the so-called world Socialist system and the world Socialist military alliance system.

The spread of the Soviet empire—and I use that word, let me say, very dispassionately because I know of no other word which describes the relationships which exist between the Soviet Union and the various states in the so-called world Socialist bloc—the growth of that empire has been certainly the most dramatic and I think important event in international politics of the last decade, particularly, perhaps of the whole postwar period.

Now that growth has occurred largely outside the NATO perimeters, outside Western Europe and outside the national perimeters of the NATO countries.

I think that that fact has important implications which, indeed, we also must face, because it has confronted the United States with some new problems in national security and some new problems in national defense.

It is no longer true today that any potential threat to the U.S. national security and, indeed, survival necessarily occurs by way of Europe. The needs of our European allies are simply not identical with our own, and I think this is a harsh fact which must be faced, and is often faced rather more cooly and realistically by our NATO allies than by ourselves.

I believe that geography itself obviously provides a basis for some distinctive problems and some distinctive needs among NATO partners and members. So does history and tradition. I believe also that in considering these facts, we must be clear that the defense of the United States must be the controlling purpose of our foreign policy, and that no President, no Congress, should compromise the U.S. need to defend ourselves. No President, no Congress, is free, it seems to me, to be indifferent to actual and potential threats to our national security from whatever source and through whatever means.

Too often, it seems to me, that our foreign policy is, in fact, lacking a clear center of gravity which a clear concern for our own national security provides. Let me repeat. I think the Europeans have been somewhat more realistic about the distinctive as well as shared security concern of the United States and Europe than we have perhaps been.

I believe that there are implications of that fact as well, of the fact that Europe has distinct interests and that we have distinct interests. France has distinct interests, Germany has distinct interests, each of them rooted in their own traditions and their own location. Germany has distinct interests relating to the division of Germany, obviously. France has distinct interests which are being represented in conversations this very week between President Francois Mitterrand and Mr. Gorbachev.

There is more and more discussion in Europe and among Europeans of a reorientation of Western defense, a reorientation which would feature a larger Franco-German role. I have heard about this from several sources in the last year, both French and German and, as a matter of fact, British, with the suggestion that the United States is going to have to understand that the Europeans are going to seek a reorientation of the alliance system without intending thereby to diminish the importance of the United States and that the new alliance system will feature a kind of Franco-German central responsibility.

My own view is that if Europe, our Western allies in Europe, seek to assume a larger role in the defense of our common civilization and their countries, that is entirely appropriate.

I do not believe that we should resist any such development. I do believe also that we should not accept responsibilities, however, with regard to alliance arrangements which are not commensurate with our power in the situation.

Ultimately, given the development and strength of Western Europe, it seems to me that it is entirely realistic today to believe that the independence of European nations guarding their institutions and their part of our civilization is appropriately assumed as an overwhelmingly European responsibility.

The larger share of the defense of Europe which the European nations undertake, the greater our resources are freed to look after our own national interests and security in other parts of the world.

I suggest that NATO retains very significant priority for American foreign policy, but that that priority exists only insofar as the member states of NATO agree that there is a need for a continuing collective response to a perceived threat of proportions requiring a major effort.

NATO's interests are not identical with those of Western civilization any more than they are identical with the interests of the United States. The U.S. interests are not identical with those of NATO. Both NATO's concerns and American concerns are distinctive.

I would finally suggest that we must never be in the position of asking others, including our closest associates and friends, to whom we are bound by the broad ties of common values, common heritage, we should never be in the position of asking them for the privilege of defending them.

An alliance is only vital and viable as long as it rests on the shared will of all of its members.

Finally, I would suggest that there is no NATO relationship which can or should serve as the justification for the neglect to defend U.S. security iterests in other parts of the world. Neither can we submit to our NATO allies a veto over our policies required to defend our interests in non-NATO areas. I believe quite specifically that we have both responsibilities and problems with regard to this hemisphere which our NATO allies do not share, and we have vulnerabilities which they do not share, and we simply must be free to respond to our own security needs, independently of NATO in this hemisphere or in the Pacific or wherever.

Similarly, I believe with regard to SDI that it is quite clear that the U.S. needs, as our vulnerabilities, are not identical with those of our NATO partners.

It is well known that some of our NATO partners have a larger stake than we in keeping the threshold for the nuclear trigger—I have never quite understood about thresholds and triggers in the same image—but keeping that threshold for the use of nuclear weapons quite low. It seems to me that we do not necessarily share that interest. I am not certain that it is truly in the interest of anyone.

I am quite certain, however, that it is in our interest to defend our country against intercontinental ballistic missiles as well as we can, just as it is in our interest to help our NATO allies defend their cities from SS-18's, 19's, 20's, 24's, 25's, and so forth, through the program of deployment of Pershing and cruise missiles.

But we cannot either delegate or deny the primary and central responsibility for the defense of our own country and our own territory.

Thank you, Mr. Chairman.

Senator **Pressler**. Thank you very much for that thoughtful presentation. Let me just ask you a few questions.

At the beginning of your statement you said that we stand at the end of an era. What did you mean by that?

Ambassador **Kirkpatrick**. Actually, I think it is the end of several eras. I think we are at the end of the post World War II era. First of all, I believe there has been a generational change, and that generational change has produced a new adult generation which has neither experience nor memory—and unfortunately, all too often they lack knowledge as well of the problems and experiences of World War II that produced the current alliance structure.

So, first it is a generational change.

Second, there is obviously a sharp difference in the problems and in the nature and strength of the parties. Both the parties to the NATO alliance, the context in which it exists, and the generations which now lead each of the countries involved, have changed. That is what I mean.

Senator **Pressler**. In connection with that, we had as the Nunn amendment in the Congress. Of course, with the NATO allies, we have an enormous investment that we put forth, and we always get into arguments about burden sharing. Our allies always come back with their numbers and say that Europe is doing just as much or more. With some of the countries we tend to go around in circles in defining what the burdens actually are. The Nunn amendment did get a good vote, 44 votes, in the Senate. It probably would have gotten more had there not been a very strong lobbying effort by the administration and by the foreign policy establishment.

I don't know if this means that we are shifting our interest from NATO to the Pacific Rim countries, or to the Middle East, or if it matters at all.

I should mention that the Nunn amendment really would not have withdrawn any troops. It just would have made higher ammunition and reserve requirements and a variety of other complicated things. Nevertheless, the basic way in which the Nunn amendment is referred to at Ditchley Conferences and so forth, is a vote on the reduction of the U.S. commitment to NATO.

I do believe that we are at the end of an era, in the sense of a commitment of traditional U.S. ground forces there. I don't know what your reaction to this would be.

For example, in Greece, we have frequently discussed whether or not our bases should remain. There are those who say we could do as well without them; that, indeed, if we really decided to pull them out, the Greek Government, however it might be composed, probably would reverse itself very quickly and say "Oh, no, we really did not mean that."

The United States wants to be friends with both Greece and Turkey, certainly. Let me ask first about the bases: I would be specifically interested in your reaction. Do we need them?

Ambassador **Kirkpatrick**. One fact that often strikes me about the argument that we don't need them is that the same people who make the argument that we do not need the bases in Greece, Turkey, or wherever, often also make the argument that we don't need SDI and a refurbished American defense establishment.

I am afraid that oftentimes that argument gets reduced to the principle that weak is strong and vulnerable is safe, and that is a false argument. Both terms are false. Weak is not strong. Weak is weak. And vulnerable is not safe. Vulnerable is vulnerable. That is not a good condition in which to be.

I think that it is perfectly clear that we do not need bases in countries, we do not need allies—let us put it this way—who are not real partners in a joint enterprise because such allies simply confuse the situation.

I am not saying that there are such allies. I am simply enunciating the principle that we do not need allies who are not enthusiastic joint partners.

I think we clearly need to continually scrutinize our allocation of defense and security resources. I believe that the distribution of burdens in NATO reflected post-World War II realities, and a redistribution of burdens should not be confused with an abandonment of an alliance, because the alliance reflects presumably a common commitment. And in that common commitment, we operated for a long time on the basis of each according to his abilities, for each according to his needs.

Now, on the same principle of each according to his abilities, there would be a redistribution of burdens today because the abilities and the capacities of the partners are quite different. NATO was established at a time that the United States was not only stronger than anybody, but we were very nearly stronger than everybody—economically and militarily as well. Neither one of those conditions exists today, not because we have grown weaker, but because new centers of power have developed—economic power and military power. I think that distributions of burdens and burden sharing should reflect contemporary realities.

Senator PRESSLER. I was fortunate to accompany Senator Dole and five other Senators to Europe last April. As we went through the various European capitals, we spoke a great deal about the SDI with the European leaders. I have often wondered whether these discussions on the strategic defense initiative were an escape from dealing with some of the tougher problems that we should have been talking about. It was a fascinating series of discussions as the Europeans seem to look upon it in two ways. Their first concern is that if the SDI works, the United States will shift its priorities and abandon our traditional approach toward NATO. Second, some Europeans believe that the SDI would make NATO more important because if the United States achieves a defense against nuclear weapons, then conventional weapons will become more important.

How do you view the impact of SDI on Europe and on NATO in particular?

Ambassador KIRKPATRICK. I think the United States has been a strong and reliable NATO partner and that we will continue to remain one as long as we have reliable partners inside the alliance.

I believe that the alliance does not eliminate distinctive defense needs. I referred to this earlier. Our Western European allies have some distinctive defense needs. The Pershings, for example, and cruise missiles currently being deployed to offset the vulnerabilities created by the SS-20's are a response to some of those distinctive needs. With the intermediate intercontinental ballistic missiles, the Soviets have created distinctive vulnerabilities for Europe.

Now we have some distinctive vulnerabilities, too. I believe that SDI addresses some distinctive American vulnerabilities, which are real, which are potentially threatening to our security, our survival; and I believe that it has the promise of dramatically enhancing our safety without increasing anyone's vulnerability. It neither increases the vulnerability of Europe nor the vulnerability of anyone.

Greater American safety is not necessarily related to greater European vulnerability, and our European allies sometimes suggest that on the one hand they worry that if we had SDI, we would abandon the defense of Europe. On the other hand, they worry that we might try to fight a war against the Soviet Union on the ground in Europe.

You know, they worry a lot. We all worry a lot. There is a lot to worry about in the contemporary world. But I do not think SDI is one of those, frankly.

Senator **Pressler**. Discussions at some of our other hearings have concerned NATO's will and the will of the Warsaw Pact. In these discussions NATO was juxtaposed against the Warsaw Pact. You have not necessarily done that. However, you did say that in the world Socialist bloc, the Warsaw Pact was an empire. There are variations, nevertheless even in Eastern Europe. Some of the Eastern European countries inside the Socialist bloc are not members of the Warsaw Pact, for a variety of reasons.

If you had to compare the will, so to speak, of the Warsaw Pact with NATO, what would your comments be?

Ambassador **Kirkpatrick**. I don't think we know.

The first consequence of forbidding free and open expression of dissent and opposition is to create a situation in which no one knows how much opposition there is to a government and how much support there is for it, including the government itself.

We do not know how the peoples of Eastern Europe, how any given nation in Eastern Europe would behave in a situation where there is some fluidity and some choice. I think that includes their armed forces as well.

However, as I understand it, the Warsaw Pact troops are disciplined and highly structured, and discipline and structure are often a rather good substitute in the short run for will and commitment. The short run is probably long enough for the Warsaw Pact countries to overrun Western Europe at current levels of forces.

I have little doubt that in the long run, free peoples turn out to be stronger. But battles do not necessarily last for the long run. I think that the free peoples of Western Europe presumably would fight for their own national survival with courage and persistence, although I think of the comment of President Mitterrand that the West has the pacifists and the East has the missiles. The strength of the so-called peace movement in some of the Western European countries has certainly taken its toll on the discipline and commitment, I think.

Senator **Pressler**. However, the highly publicized peace movement has not succeeded in recent elections, at least not in Germany and in England.

You said one thing that I thought was very interesting. You indicated that the United States and the Soviet Union, if I understood you correctly, are not in a struggle for domination, although you called the Soviet group an empire.

What struggle are we in, if not for domination?

Ambassador **Kirkpatrick**. I think that there are different conceptions of the world. I think the United States and the countries of Western Europe generally have a desire to preserve a world of independent nations. That is the kind of world that is hospitable to our way of life, to our goals and aspirations.

We cannot live as we like to live, live free, in fact, in a world in which there is hegemony by one power over almost everybody else. We need a world of independent nations with whom to trade and travel and live in peace. So do all of our Western friends—need a world of independent nations.

I think the question is whether there will be a world of independent nations or whether there will be a world in which a very large portion of the nations are integrated into a hierarchical political and military structure, whose center is, in fact, the Soviet Union.

That is different, very different, though, than being in some sort of contest for world domination. Really, effectively, I do not believe that the United States has any different problem with the Soviet Union than any other country interested in the maintenance of its own independence and in a world of independent nations.

Senator **Pressler**. The "soft underbelly" of NATO, or the Greek-Turkish conflict in the Aegean, has been called NATO's weakest link.

Do you believe that NATO's southern flank is adequately protected? What could the United States or any other state do to foster a climate of compromise in that situation?

Ambassador **Kirkpatrick**. I think it may be useful to think not simply of NATO's southern flank but of the Mediterranean arena. After all, the Mediterranean Sea is the determining factor concerning NATO's southern flank, and if we think in Mediterranean terms, then we immediately understand that the strength and independence of other nations on the Mediterranean is directly relevant and terribly vital to the security of NATO's southern flank. I think that is the first point I would make.

In other words, the protection of NATO's southern flank does not relate simply to the strength of forces inside the nations on NATO's southern flank. It relates to their geographical and security context.

Senator **Pressler**. That is a good point. We do not really think in terms of Mediterranean policy so much as we think of NATO policy. Our strategy seems to be a piecemeal one, and maybe it has to be. However, as United States strategic thinking has traditionally stressed NATO's strength, perhaps we should do more careful calculations regarding the impact the Greek-Turkish conflict has on NATO. Maybe there should be a shift in our type of thinking.

Ambassador **Kirkpatrick**. Senator Pressler, I believe that we do not think much strategically, period. Strategic thinking involves, first of all, taking into account geography, which is often destiny in these matters. We do not study geography anymore. I am delighted to see your maps on the wall in this hearing room. You know, we have never thought in terms of the Caribbean either or almost any places, except discreet countries.

I think the greatest single flaw in our defense and security planning and our foreign policy is, in fact, the failure to see particular national problems and relationships within a broader and more global context.

Senator **Pressler**. You covered this next question only briefly. The role of the French and particularly French strategy with regard to the Germans is an important issue. In a recent meeting with Mr. Hernu, who is no longer the Defense Minister, he said quite openly and publicly that if the Russians attacked West Germany, the French would not rule out the use of an independent nuclear deterrent. He stated specifically that they would not rule it out.

They are a kind of wild card, and for the first time I thought that that was probably good. I have always thought that the French should fall more in line with the rest of NATO under the U.S. lead. But perhaps their independent nuclear deterrent is in our national interest, because nobody knows quite what they would do. By the time all the orders are channeled through NATO and agreement is achieved, there might be paralysis. In the interim, the French might be able to do something, and that might be more of a deterrent than we have ever realized.

Do you have a comment on that?

Ambassador **Kirkpatrick**. Yes; I agree with you, Senator Pressler.

I believe that France's independent nuclear deterrent, the "force de frappe," if you will, is very much a positive element in the total strength of Western Europe and the NATO group.

I believe it is not necessarily a bad thing that it is not integrated. I think that cooperation obviously between France and fully integrated NATO powers is also important.

But the fact is that the strength of those nations to whom we are tied by common values and a common civilization is I think almost inevitably enhancing of the strength of the whole, including our own, and is a good thing.

Senator **Pressler**. We have not talked about Nordic Europe. Of course, some states there are not members of NATO. Let's talk about Finland, Norway, and Sweden. Are they playing the role that they should play in terms of confronting the Soviet Union?

Ambassador **Kirkpatrick**. Well, first of all, I don't believe anybody should confront the Soviet Union any more than is absolutely necessary. That is for their own protection, protection of their independence and of their civilization. It is in their basic interest, which includes their independence, obviously.

I think that the contributions of the Nordic countries, Norway, Denmark, and Iceland, the precise contribution is a matter to be settled internally. If the contribution is not adequate, then obviously they are not vital members of the alliance.

I think that an alliance is a little like a marriage or a little like a friendship. It undergoes evolutions and changes. There are obviously important differences among the Nordic countries as well, and I think that their role has to be assessed in terms of their resources and also their vulnerabilities, and be determined conjointly by the members of NATO.

In the United Nations, I noted that Denmark, for example, had a marked tendency often to disassociate itself somewhat and adopt a kind of semineutralist position on a lot of issues of concern to us.

In the United Nations, interestingly enough, the Nordic bloc acts usually as a Nordic bloc, with Sweden, which is, of course, not a NATO member.

I think that we need to take note of these kinds of development, just as I think we need to take very close note of the development of the EC as an alternative focus of attention to the Atlantic alliance and the Atlantic community. I think that, too, is a very significant development which merits our closest continuing attention.

Senator **Pressler**. Perhaps the term "Finlandization" is a little bit unfair. Of course Finland is not a member, and we must consider its geographic location. Some of their parliamentarians were here recently, and they rather bristled at that term. Finland's role is probably one that it must play and must feel comfortable in playing, as close as it is to the U.S.S.R., with as much trade as it has with the Soviet Union. Would that be your assessment?

Ambassador **Kirkpatrick**. Yes; I think so.

We have seen the rise in recent years of a new concept called "self-Finlandization," which suggests that what the Soviet Union succeeds in doing with regard to Finland, which is depriving it of a degree of its autonomy, particularly in foreign and defense affairs, some nations may do to themselves out of their own appraisal of their vulnerabilities.

Senator **Pressler**. Turning to the British and French nuclear forces, the United States was initially uncomfortable with the concept of independent British and French nuclear forces, but it has come to see the value in the added uncertainty they introduce into Soviet calculations. I mentioned especially the French.

The British and French deterrents, however, do complicate the process of arms control or at least they have. On the one hand, such forces simply cannot be counted as part of United States-Soviet negotiations, because to do so would grant the Soviets a larger nuclear force than the United States force, even if the numerical difference were strategically insignificant. On the other hand, the now impending MIRV'ing of the British and French forces will create too many allied warheads to easily ignore.

How can this perennial and old issue of counting or not counting British or French forces be resolved?

Ambassador **Kirkpatrick**. I don't think it can be resolved by us, really.

I think we suffer from certain kinds of illusions with regard to our capacity in most matters of foreign affairs, particularly in alliance affairs.

I was struck recently by a question that was put to me by someone who was aware that I had spent the summer in France and who said what do the French think about the American attitude toward South Africa. The answer is that they don't. Generally speaking, they just don't. They think about the French attitude toward South Africa

It is relevant here because what the Americans think about the British and French attitude toward counting and not counting, or entering and not entering the arms control negotiations as junior partners to the United States in conversations with the Soviet Union is simply not going to decide the case.

They are independent nations. They are not client states. They are autonomous and they insist on exercising that autonomy.

I think we must face that.

Now, we can also learn something, I think, from observing the way they use power as friends, but not subordinates. I think that the Soviets would like nothing so much as to persuade everyone, beginning with us and then the rest of the world, that the United States should, in fact, have the responsibility and does have the power to speak for everyone whose forces might conceivably be used some day as an obstacle to Soviet expansion. That is just simply not true.

It is not going to become true, either, in my opinion.

I know that the French are going to insist on maintaining a truly independent voice. They are going to have independent conversations with the Soviets, and they are going to make independent decisions.

I would add that I found it interesting that President Reagan had proposed conversations with five principal allies in advance of his conversations with Gorbachev. The French immediately declined. The French had made no parallel proposals.

It is a very good example of the insistance, I think, of France, on pursuing essentially an independent foreign policy and defense policy within the context of broadly shared values and objectives.

Senator **Pressler**. Let me say that other Senators may well have written questions which we will submit for the record. But before we conclude, let me say that my final question is aimed at our priorities in terms of regions. Here we may not be thinking strategically.

As you said in your statement, NATO has been a great success story, as are the other activities we carried out in Europe at the end of World War II. However, we may be standing at the end of an era, as we find our attention focused on the Middle East and Central America as well as on the Pacific Rim and international trade. Many have argued that the United States is shifting its interests, and that our trade and our defense interests are now directed toward other regions of the world.

What regions should be our priority? Should we lower the NATO priority?

Ambassador **Kirkpatrick**. I think that our priorities simply must flow from the central concern of our own national security. I think if we start with the centrality for the concern for our own national security, then it will become clear that the priorities for American security policy of other regions will be determined in relationship to the existing threats and vulnerabilities.

I do not want to beg the question, but we obviously have a continuing interest in the preservation of our civilization. I think nations exist within civilizations very much like parts of the body exist as parts of the body. Hands do not exist by themselves. I do not think nations really exist independently of the civilizations of which they are part. So obviously we have a continuing, permanent concern with the survival of those nations who are parts of our civilization, part of the civilization of which we are a part.

Second and beyond that, needs and vulnerabilities appear and disappear. Obviously today the whys of special economic concerns, for example, associated with the dramatic development of the ASEAN countries and the Pacific Rim have created some new, though not brand new, U.S. concerns in the Pacific. We have always had concerns in the Pacific. We are an island continent, like Walter Lippmann said, and we do have continuing links therefore across the Atlantic to Europe and across the Pacific to the Asian end, and south through this hemisphere. That is unchanging and will be.

The particular priorities among those, it seems to me, at a given time, depend on levels of trade and patterns of economic interest on the one hand, and patterns of national security threats.

Clearly, we must take central account of actual and potential threats to our national security.

Senator PRESSLER. I do have one more question, and that concerns university life and teaching. You mentioned that we should think more strategically.

Ambassador KIRKPATRICK. Right.

Senator PRESSLER. It occurred to me that a lot of courses at the undergraduate level that would encourage students and citizens to begin to think about strategic thinking have been dropped. Please correct me if I incorrectly characterize the situation. This happened in the 1960's, because of the high degree of intense feelings generated by the Vietnam war. Now I am told that there is a restoration of classes in arms policy or strategic policy and that we are getting a much better discussion without so many emotional factors that used to bar discussion.

I believe that across the country, at the graduate level, these courses have always existed. It is hard to teach them at the undergraduate level because a certain amount of basic political science is needed as a prerequisite. How successful are our graduate courses, in terms of helping our citizens to prepare for more and better strategic thinking?

Ambassador KIRKPATRICK. I hear that, too, though I am a little out of touch at this point. I would like to say, though, that I believe the decline of strategic thinking in the United States is also linked to the decline of the study of geography——

Senator PRESSLER. To the decline of what?

Ambassador KIRKPATRICK [continuing]. Geography. Almost nobody knows where anything is anymore. Americans do not know where things are in the world, literally. Americans do not study geography.

We had a very interesting experience. Our sons attended a superb school in Washington and attended a perfectly routine school in France on two occasions when we were on sabbatical years. The biggest educational shock of all was perhaps the attention paid to geography in French schools. Soviet schools pay a lot of attention to geography.

We essentially stopped teaching geography and we essentially stopped teaching history. The decline of the study of geography and history, in my opinion, have more to do with the problems of American foreign policy than almost any other single source of those problems.

I think that the security orientation, the university level security oriented courses and course work were indeed hard hit by the so-called Vietnam period, and that added a third dimension to the sort of loss of collective intellectual capacity to think realistically about these questions.

I think that we need very much to try systematically to restore a greater American awareness of what human history has been like, where people live, and what it might mean to us, those three dimensions.

Senator Pressler. Thank you.

Senator Dodd. Thank you very much, Mr. Chairman.

Madam Ambassador, please excuse my tardiness this morning. I appreciate your presence before the committee.

Mr. Chairman, let me commend you as well for holding these hearings. I think they are very helpful in assessing the future of NATO.

Let me just add that I could not agree with you more in your last comment. I am reluctant to quote the statistic that I saw recently, because I am not exactly sure of it, but it was a staggering statistic on the number of American high school children who could not identify the United States on a global map, let alone identify countries in other parts of the world.

If you have already commented on my question, please say so and I will just look for your response in the record. This morning, I read that the Labor Party of Britain is presently having its meetings, and apparently there is a heated battle going on between Mr. Kinnock and Mr. Stargle over domestic policy an whether or not potential future Labor governments in England are bound to the miner's compensation agreement. I suspect, though, it is more than just the miner compensation issue on which Kinnock disagrees.

What I am getting at, is that for years in Europe there was a general consensus about strategic policy, regardless of whether Labor governments or Conservative governments were in power. We have seen recently, though, a move away, particularly on the part of Labor governments from the traditional party positions on issues such as unilateral disarmament.

I would like to know whether this is true? Because by and large the governments of West Europe seem to agree on most foreign policy issues. Even yesterday Mitterrand rejected Gorbachev's apparent attempt to get him to side with the Soviets on SDI and he refused to do so. I don't know if that means he necessarily supports what the administration wants to do there, but he was not about to move away and join with the Soviet Union.

I wonder if you might just comment on what is happening internally politically and whether or not this unanimity of thought on strategic questions in Europe is really fractured to the extent that the press has led us to believe it is, or is it more of just a temporal kind of thing that one would expect anywhere in the normal coe, I apologize for raising it again.

Ambassador Kirkpatrick. No, Senator Dodd. Thank you very much as I am very happy to address that question.

I did begin by saying that I thought we were at the end of an era. This is the end of an erae, I apologize for raising it again.

Ambassador Kirkpatrick. No, Senator Dodd. Thank you very much as I am very happy to address that question.

I did begin by saying that I thought we were at the end of an era. This is the end of an era. In response to a question from Senator Pressler I did suggest that I thought it was the end of the post-World War II synthesis, if you will, which was based on a consensus which no longer is really reliable. Certainly there is no better evidence of that than the rise within some of the countries of the NATO alliance of major parties who seriously question the major premises of the Atlantic Alliance, and certainly of NATO strategy. Developments in the British Labor Party are, I think, very significant.

I note that the evolution of the British Labor Party on international questions has produced deep divisions within the Labor Party itself as well and produced one split already, and quite possibly may lead to the elimination of the Labor Party as the major opposition party in Britain. I think that is a real possibility because we have seen the parallel rise of the SPD and the Liberal Alliance.

But, still in all, even if that happens, one could not deny the reality and the importance within the United Kingdom, which is probably our closest single friend and ally in the world, of a major political force which seeks, in fact, to diminish, to put it mildly, Atlantic ties and questions NATO strategy. But similarly, of course, we have seen the rise of the Greens and very strong forces within Germany and within the SPD also in Germany, which question the basic premises, again, of alliance strategy. In the Netherlands, likewise, and in Belgium, I think the fights, the debates, and more over deployment of the Pershing and cruise missiles are the most dramatic examples of the deep splits within those societies concerning important dimensions of alliance relations as well as realities and tactics.

France I think is the only one of the countries I have so far mentioned, or that you have mentioned, where there are not such splits among the Nation's major parties. There is, I believe, today in France quite a broad consensus shared by the principal parties of the opposition, the Gaullists and the UDF on the one hand, and the Socialist party on the other, not of course shared by the Communist Party, but it is not a major party today, concerning the desirability of a close relationship with the NATO alliance.

It is very interesting in thinking about this question to note that France, which is the country that has demanded and retained the highest degree of autonomy and has the least integration in the NATO alliance, is today perhaps the most united on basic questions of Western strategy and even cooperation.

I am not quite sure what that means, but I think it is an interesting juxtaposition and one that is well worth our thinking about.

I think, though, that these developments within the politics of our closest allies, treaty allies, like that, by the way, in New Zealand, where we saw a similar development within the New Zealand Labor Party, do, in fact, mean that the past terms of those alliances cannot really be taken for granted, and they provide an even more compelling justification for what I have taken as my central thesis this morning. It is simply that we must really face the fact that all of our allies have some interests distinctive from ours and that we have some interests distinctive from theirs and some security needs distinctive from theirs, and we must look to those.

Senator **Dodd**. Thank you very much.

Thank you, Mr. Chairman.

Senator **Pressler**. Thank you, Senator Dodd.

Ambassador Kirkpatrick, thank you very much. We are honored to have you before our committee and we appreciate your taking the time.

Ambassador **Kirkpatrick**. Thank you, Senator Pressler and Senator Dodd.

Senator **Pressler**. Next I shall introduce Andrew J. Pierre.

Dr. Pierre is a senior fellow and the Director of the Project on European-American Relations at the Council on Foreign Relations.

He was educated at Amherst College, at the Institut des Etudes Politiques in Paris, and Columbia University, from which he received a Ph.D. in political science.

Before joining the Council, Dr. Pierre was with the Brookings Institution and the Hudson Institute. He also served as an adjunct professor at Columbia and has lectured widely in universities and military academies in the United States and abroad.

He has also served with the U.S. Department of State and has been a consultant to the State and Defense Departments as well as with other U.S. Government agencies.

He is most recently the author of "The Global Politics of Arms Sales," published by Princeton University Press.

We welcome you, Dr. Pierre, and we look forward to your statement.

STATEMENT OF ANDREW J. PIERRE, DIRECTOR OF THE PROJECT ON EUROPEAN-AMERICAN RELATIONS, THE COUNCIL ON FOREIGN RELATIONS, NEW YORK, NY

Mr. **Pierre**. Thank you, Mr. Chairman. I appreciate the opportunity to testify this morning. I heartily endorse what Ambassador Kirkpatrick said about the timeliness and importance of your set of hearings.

I would like to address three issues: first, the general condition of the Atlantic Alliance today; second, the conventional defense of Europe; and third, the impact of the Strategic Defense Initiative upon Europe.

Let me turn first to the general condition of the alliance.

There always have been disagreements within the Atlantic alliance. This is to be expected in a democratic alliance of up to 16 nations. There often has been a perception of crisis and disarray. But, altogether, 1985 finds the alliance in remarkably good shape.

We have weathered the 4-year storm over the INF deployments. We have set aside for the time, although not totally reconciled, diverging opinions and views over East-West trade and détente. We have not allowed different perspectives on some Third World issues to erode support for NATO's central task, Western defense. And, for the moment, the European allies are maintaining a wait-and-see attitude toward the Geneva negotiations and arms control in general.

Finally, NATO is fortunate in having today excellent leadership. I think the appointment of Secretary General Carrington, a man of great political skills, has made a difference, and General Rogers continues to have wide respect.

So, 1984 and 1985 I believe are good vintage years for NATO.

But alliance politics is a fickle business, and all of this could change quickly and dramatically. Two events in particular could precipitate a change in the coming period. The first would be a stalemate in Geneva, which was perceived to be the result of the United States not pursuing arms control seriously, and on the basis of our record over the last 5 years, there are those who are ready to jump to that conclusion.

Whether a stalemate is due to American inflexibility or, more likely, Soviet intransigence, I believe Gorbachev will be quick to blame the stalemate on our own country. Gorbachev is a formidable new competitor. Already in France this week he has launched a strong campaign designed to drive a wedge between the United States and Europe on arms control issues. I believe that the general competition between us and the Soviets for world public opinion will be much sharper and much tougher for us in the coming years.

A second event which could precipitate change would be an American military intervention in Central America, which was not seen as warranted by a major new additional Soviet activity in the region. Such an American intervention would not be supported by the West Europeans. It would have the effect, I believe, of severely questioning the wisdom of U.S. foreign policy on a global basis, and be quite damaging in political terms to the coherence of the Western alliance as a whole.

Now, as Senator Dodd pointed out, in evaluating the general condition of the alliance today, I think one must look at domestic politics within the key countries.

The Reagan administration's approach toward East-West relations does have the support of Margaret Thatcher, Helmut Kohl, and Francois Mitterrand, in broad terms. But I also agree with the remarks just made that the wide consensus on Western defense strategy, in particular on the role of nuclear weapons in the defense of Europe, which existed for the first 30 years of the NATO alliance, has eroded significantly in the past 5 years.

The Labor Party in Britain is calling for the withdrawal of the U.S. cruise missiles, the closing of the bases for U.S. nuclear submarines, and an end to Britain's nuclear deterrent.

The Social Democratic Party in the Federal Republic of Germany has a strong interest in a denuclearized zone in Europe, in a no first use strategy, in stopping the continuing deployment of cruise and Pershing II's, and some within that party would have the West, and West Germany in particular, rely upon a concept of "nonprovocative defense," as it is called, a type of territorial defense to replace part of NATO's standing combat forces.

Beyond these two countries, in the Netherlands, Denmark, and Belgium, and elsewhere, there are many who share some of the views I have just described.

So, today's relative tranquility within the Atlantic Alliance, which is partially, I believe, the result of sheer battle fatigue after

4 years of debate over cruise missiles and Pershings could quickly terminate.

As for our own country, I do not feel particularly qualified in testifying before elected officials to make a judgment. But for some years, I have been telling my European friends that it would be a mistake to take the continued large-scale presence of American combat forces in Western Europe for granted. I believe it is in our interest to maintain our forces in Europe. But I also think there is considerable volatility on this subject within the American electorate.

Let me take up the question of enhancing conventional defense, which I believe is the most urgent military priority facing NATO today.

In the past decade, the Warsaw Pact has improved and modernized its conventional forces, as has NATO. But the Warsaw Pact improvements have been proportionately greater.

I think sometimes we overestimate the Soviet military threat to NATO, and sometimes we undervalue the combined strength of the NATO allies.

Nevertheless, I also believe that NATO remains too dependent upon the early use of nuclear weapons, due to insufficiencies in conventional forces.

General Rogers, the SACEUR, has warned that in case of conflict, NATO would need to make recourse to nuclear weapons in days, not weeks.

This situation is untenable, and we must seek to correct it as best we can.

In the past several years, a number of proposals have been put forth, mainly American proposals, seeking to enhance conventional defense. Basically, they call for the acquisition of new military technologies, so-called emerging technologies—smart weapons, capable of greater accuracy, standoff surveillance and attack systems, computerized battlefield management, and so on.

In some cases, military missions assigned to nuclear weapons would be taken over by conventional systems.

In addition to these emerging technologies, there have been suggestions for new military strategies, which call for so-called deep strikes into second- and third-echelon Warsaw Pact forces. These strategies are embodied in the U.S. Army's air-land battle, which has worldwide applicability, and in NATO's plan for follow-on forces attack, or FOFA.

These new technologies and new strategies have raised a number of questions that I would like very briefly to identify and address.

First, is striking deep several hundred kilometers into the Warsaw Pact rear echelon incompatible with NATO as an essentially defensive alliance? Is it unnecessarily provocative?

This is a point of view one hears quite a bit in Germany and, to some extent, throughout Europe. The short answer, I believe, is "no."

In case of war, NATO should seek to carry the conflict and always has planned to do so, into the enemy territory. This, it seems to me, is plain military logic.

The Warsaw Pact, after all, has the capability to acquire new capacities to strike deep also.

We should remember that deep strike and FOFA do not call for seizing and permanently holding onto Warsaw Pact territory.

The second question is what priority should be given to emerging technologies and deep strike within NATO in enhancing conventional defense. It is a question of priorities.

Although I support these new concepts, I believe that the main emphasis should remain with defending Western European territory against first-echelon Soviet forces. Priority therefore should be given to sustainability and the survivability of NATO's forces right at the frontier in the forward defense of Germany.

I believe that the type of improvements that Senator Nunn has called for in terms of aircraft shelters, ammunition stocks, and other infrastructure items should be of the highest priority.

It makes little sense to divert resources to interdiction of rear echelons with high-technology weaponry if the war is being lost on the ground in Western Europe.

The third question is what would be the costs of emerging technology. There have been a number of estimates made, most on the order of $20 to $30 billion, although such estimates may well be on the low side.

I believe that this would be a good investment if it really enhanced conventional defense, provided other, more basic, improvements were also made.

However, in political terms, I do not think it is likely that the alliance is prepared to spend this amount. The harsh fact is that most nations have not met the 3-percent goal in annual growth in defense spending. Some level of new technologies would require 4 percent, and a full implementation of the new doctrines might require a 7 percent annual growth in defense spending.

This is simply not where European priorities are today, even within the defense sector. Britain and France are focusing their spending right now on the modernization of their own nuclear forces, and the Federal Republic of Germany has to worry about the increased cost of the Bundeswehr as the pool of available manpower is decreased due to demographic factors, and as more money has to be spent to attract volunteers.

Western Europe today remains in a situation of slow economic growth, and there is no prospect, as best as I can see, for an increase in defense budgets.

I conclude therefore that resource constraints will be a major hurdle in the adoption of these new strategies.

Finally, where are the new emerging technologies to be produced—in America, where most of them have been developed thus far, or in Europe? I believe the clear answer must be in both.

The Europeans have become quite cynical and wary of the so-called two-way street in arms procurement because, in fact, so much of it has been a one-way avenue. They will not buy emerging technologies off the United States shelf.

I believe that emerging technologies provide a fresh opportunity to create a cooperative transatlantic role in weapons technology development. This should include coordination of research and development on such technologies and could include allocating production to different nations.

I hesitate to suggest a new institutional arrangement. Surely NATO has enough of these already. On the other hand, it is also a fact that there is no institutional arrangement of a transatlantic nature for weapons technology today.

I would like to note that Senator Nunn's current amendment this year, allocating $200 million for transatlantic weapons cooperation is also to be highly commended. I agree with what Ambassador Kirkpatrick said about the U.S. interest in supporting the evolution of a West European defense identity, and I would add that this should include weapons cooperation among the Europeans, even if American industrial firms lose a few arms sales in the process.

In sum, I welcome these new ideas to improve the conventional defense of NATO. We should seek to make flexible response more flexible. We should seek to reduce alliance on the early use of nuclear weapons. We should adopt emerging technologies selectively, based upon cost effectiveness considerations.

But let us understand that some of these much touted emerging technologies are not a panacea to solve the dilemmas of the Alliance or NATO doctrine. In particular, they will not enable us to completely do away with the role of nuclear weapons in NATO strategy. We must also bear in mind that their adoption will be severely limited by resource constraints.

Let me then turn, Mr. Chairman, to my third issue, the European attitude toward the strategic defense initiative.

We have here a very complex situation, which I believe we must follow very carefully without deceiving ourselves.

The SDI has placed our European allies in a true quandary. There are, I believe, widespread reservations about SDI on strategic grounds. But technologically it is very attractive. And there is no time—urgent, pressing need on the part of the Europeans for a political decision on whether or not to support the American initiative. This is a political decision which, quite frankly, most European leaders would rather not have to make.

I said that technologically it is very attractive. There is today in Europe support for the research aspect of SDI, not necessarily for testing, which is an important distinction with our current position, and almost always caveated with the strong wish that negotiations between us and the Soviets will make deployment of strategic defense unnecessary.

There is a widespread view in Europe that it has fallen behind the United States and Japan in high technology. Here we have the United States strongly urging participation in a major high-technology research endeavor and willing to pay the costs — in effect, giving money to European companies. Naturally, the European companies are eager to participate, and the European governments do not want to be left behind in the general field of high technology.

In parentheses, I might say that the attractiveness of the French Eureka proposal to many West European countries, 17, in fact, stems from the fact that this is an opportunity for Europeans to get together on high technology, principally in the civilian area rather than the military.

I believe it is likely that we will see in the next months a framework agreement signed at least between the British Government and the American Government, and the German Government and the American Government, allowing the companies to enter into agreements. But the money will be mostly American money. The European Governments, I do not think, are going to put much of their own funds into it.

It would be a mistake to conclude that participation in a research endeavor is, in itself, an endorsement of the basic concept of strategic defense as a whole.

Let me then turn to the strategic considerations.

Ballistic missile defense on the part of the Soviet Union, a Soviet SDI, would spell nothing but trouble for the British and French Forces. Therefore, the Europeans support the ABM Treaty and its maintenance and credibility in a very strong and clear manner.

The effective defense of Western Europe through its own SDI is even far more questionable than the effective defense of the United States. Geography, which we were just told we should study more, simply does not permit it. The flight time from the Soviet Union or Eastern Europe into Western Europe is too short. And, even if somehow the Europeans, perhaps in conjunction with us, could construct some type of shield against Soviet ICBM's and SS-20's, they still will have no protection against Soviet cruise missiles, short-range tactical nuclear systems in Eastern Europe, or aircraft.

Therefore, I conclude that, as best as we can see, Europe will remain vulnerable to Soviet nuclear attack.

The Europeans do not look with anticipation to the possibility of a situation in which the United States and the Soviet Union both have effective missile defense and in which they remain naked. They fear that this will lead to a "Fortress America" mentality, which in turn will lead to the real decoupling of Europe's security from that of the United States.

We have been talking about decoupling for many years now, as you know, Mr. Chairman, but I think this is the case where, if such a situation were to come about, we would, in fact, have a real decoupling.

Now, if SDI were limited to point defense, to defense of U.S. ICBM fields and Soviet IBM fields, and if it were accompanied by deep cuts in offensive forces, and if it led to a truly stabilized nuclear balance, and if there developed a perception that SDI was enhancing deterrence rather than replacing deterrence--sometimes we talk about enhancing and sometimes we talk about moving away from nuclear deterrence—then clearly the Europeans would see the obvious advantages in SDI.

But those are four major ifs which would be hard to satisfy.

This explains the fact that the Europeans do support Ambassador Paul Nitze's criteria calling for cost effectiveness of defense over offense, the invulnerability of the SDI system, and for a stable transitionary period.

Here I am talking about point defense. As to population defense of the United States, a population defense of the United States that left Western Europe unprotected, that would, in my view, do nothing else than lead to the end of the Atlantic Alliance.

In closing, Mr. Chairman, I do not expect to see the end of the Atlantic Alliance in this century or, barring a major change in Soviet behavior, in my lifetime. I do not think NATO will fall into terminal disarray or collapse because I believe it will remain essential to the security of Western Europe and the United States.

There will be differences, as there are today, over strategic defense, over out of area issues, or over the proper mix of conventional and nuclear forces, and no doubt in the future differences over other issues will arise. But I believe that we will find a way to manage these differences, difficult as they may be. And in this process, the Congress will continue to have a very important role to play.

I thank you.

Senator PRESSLER. Thank you very much.

Let me say that I am going to get a copy of your "Global Politics of Arms Sales," and read it. I look forward to that very much.

First of all, your comments on the SDI were very interesting. However, I do have one question. When we say that we want our European allies to participate in the SDI, what do we really mean? Does that mean that we are going to give research money to some of their corporations to do research? Does it mean that their universities will be involved? Does it mean that their governments will be involved?

Everybody wants to be involved if we give them money to hire more people and so forth. But does participation mean raising their own money or doing their own research? Will they make a contribution to the SDI at their expense?

Mr. PIERRE. I do not believe, Senator Pressler, that the answers to your questions have yet been completely formulated. They are being worked out between our own Government and the European governments themselves.

I believe that the direction in which the alliance is moving is that much of the research will be on a company to company level, including, I might add, French companies, such as Thompson-Brandt and Matra—I mention France in particular because Mitterrand has stated his opposition to the SDI concept as a whole, and yet he is not barring French companies from participating—German companies, and British companies, and so on; and that there will be a framework agreement, which is what the West Germans are talking about today, to facilitate this; but that there will not be, as I understand it, the expenditure of West European governmental funds for this joint research. The money, therefore, will essentially come out of the U.S. Government-funded Strategic Defense Initiative Program.

Some of these grants will be to companies. It may well be that some will be to universities as well.

Senator PRESSLER. Some analysts have concluded that the alliance has outlived its usefulness and that something else should replace it. They suggest that we should move in the direction of basic change. To what extent do you believe that characterization, that the NATO alliance has outlived its usefulness? How valid is that charge?

Mr. PIERRE. I do not believe, Senator Pressler, that it has much validity. I do not see an alternative to the NATO alliance.

As Ambassador Kirkpatrick pointed out, NATO was created as a response to a specific threat, a Soviet threat to Western Europe, and this threat continues today in the form of massive Warsaw Pact conventional forces and nuclear forces.

Where NATO has not successfully undergone a process of transition or modification is in the fact that many of the security problems which we find in the world today are outside NATO's basic parameter, as defined in the treaty.

You will recall that several years ago, there was a rather active debate about whether the Europeans should not undertake some responsibilities, for example, in the security of the Persian Gulf or in the Middle East in general. And, as was mentioned earlier also, there are distinctive views and distinctive interests in Europe on this subject.

I think it is probably putting too great a burden upon NATO to seek to change its basic charter today. We are, in fact, moving in a constructive and informal manner toward greater cooperation in some Third World areas where we have common security interests. But I think that the issues which I attempted to address in my testimony, involving conventional defense, SDI, the nuclear balance, arms control, point out the fact that the basic need for NATO is as strong today as it ever was.

Senator PRESSLER. One subject we have not touched upon is the reunification of Germany. This is something that is always talked about. I don't know how it would come about with the differences that exist, and with the two different states, the treaty, and so forth. But is reunification a legitimate German aspiration at this point? What would be the strategic implications of a neutral, reunified Germany? I'm sure they would be enormous.

Mr. PIERRE. Well, one must sympathize with the fact that Germany is a nation divided into two states. But it is also a fact that the cause for that division, which grew, of course, out of World War II, is still very much with us: the fact that the Soviet Union feels that it must maintain its hegemony and hold upon the states of Eastern Europe, including East Germany.

The West German Government, since approximately 1969, when Chancellor Brandt began this process, has tried to soften the division of the two Germanies on human grounds, and has negotiated an agreement over Berlin, the Four Power Accord, and other various accords between the two Germanies. There is more movement now, in particular of West Germans going to see their East European families and counterparts.

I might add that there is a continuing West German interest in this process, right to this day, and it is striking that some of the more conservative members of the Christian Democratic Party, such as Franz Josef Strauss, have been very active in that process just in the past year or two.

But the situation nevertheless is affected by the overall East-West confrontation and the fact that West Germany remains dependent upon the United States, and upon NATO for its fundamental security.

I do not believe that the Germans are likely, in the nextdecade, to give up that umbilical cord of American security in exchange for an undefined neutralization. That would only really be possible in conditions under which there were a withdrawal of Soviet Forces from the Warsaw Pact area, certainly from East Germany, and probably a withdrawal of NATO forces from West Germany, and therefore a major reduction in the East-West tension of today.

I don't see this happening, regrettably. The division of Europe is something which I think the West Germans have come to accept. They have become major contributors to the construction of the European Community and the Western defense system and other European and transatlantic organizations.

So I see German reunification as something for, hopefully, the middle of the next century, but not for the next several decades.

Senator PRESSLER. Thank you.

There are a number of other questions that have been prepared by staff that we would like to submit to you for the record. In the interests of time I am going to move on to our next panel.

But I thank you very much for your participation here.

I might ask a final question that has occurred to me. You work for the Council on Foreign Relations, and you are a very independent person, I am sure. The Council on Foreign Relations sometimes is accused of being made up of those who have an interest in foreign aid, international banking, and so forth.

What is your judgment? Can you lay the myths or the truths of the Council on Foreign Relations to bed once and for all?

Mr. PIERRE. I doubt that I will be able to do it once and for all, but I welcome the opportunity to address the subject.

Let me say, first of all, that I am a member of the staff of the Council and a member of the Council itself. But the Council does not take an institutional position on issues of foreign policy or on any issue. I appeared before the committee today as a private individual.

Let me also add that Ambassador Kirkpatrick is on our board of directors, and I believe I am correct in saying that Senator Dodd is a member of the Council.

So, you see, we do have a certain diversity of views within our membership.

The Council is a membership organization of approximately 2,400 members, people who have a significant personal and professional interest and involvement in international affairs from throughout the United States and from all the professions and walks of life. I have never seen a meeting of the Council of more than three or four people where there was much agreement.

It is a place of active disagreement for or against foreign aid or the United Nations or strategic defense or any other issue.

I trust that it will remain this type of nonpartisan organization.

Senator PRESSLER. Thank you.

I believe some of our panelists may be having airplane problems today, so we will move right along.

Now that we have had such an excellent introduction to the issues NATO will be facing in the 1990's, we will move to a more specific discussion of U.S. and NATO strategy toward Europe.

Joining us this morning will be a three-member panel composed of Joshua Epstein, Stephen Van Evera, and John Mearsheimer.

Mr. Epstein is a research associate at the Brookings Institution. He holds a B.A. from Amherst College and a Ph.D. in political science from the Massachusetts Institute of Technology. He has held Ford, Rockefeller, and Council on Foreign Relations fellowships. He has served as a postdoctoral fellow at the Center for International Affairs at Harvard as well as at the Center for Science and International Affairs. He has been a consultant to the Rand Corp. Dr. Epstein's most recent books include "Measuring Military Power: The Soviet Air Threat to Europe," Princeton, 1984; and "Strategy and Force Planning: The Case of the Persian Gulf" (forthcoming), Brookings.

Our second panelist is Mr. John Mearsheimer. Mr. Mearsheimer is associate professor in the Department of Political Science at the University of Chicago. He received his B.A. from West Point and his M.A. and Ph.D. from Cornell. He received postdoctoral fellowships at the Center for International Affairs at Harvard as well as from the Brookings Institution and the Institute for the Study of World Politics and the Peace Studies Center at Cornell.

Our third panelist is Mr. Stephen Van Evera. Dr. Van Evera holds a B.A. from Harvard, a Ph.D. from the University of California. He has served as a Research Fellow at the Center for Science and International Affairs at Harvard, and since August 1984, has been managing editor of "International Security," a journal of American foreign and defense policy, published by the Center for Science and International Affairs at Harvard.

He has taught at the University of California at Davis, Tufts University, and Princeton. He has been a Research Fellow at the Woodrow Wilson Center here in Washington.

I think the panel is an example of the type of expertise that we have been able to draw upon, and we thank you very much for being here.

I understand that Mr. Epstein needs to be the first speaker for transportation reasons, and we will hear from him first.

Thank you very much.

STATEMENT OF JOSHUA M. EPSTEIN, RESEARCH ASSOCIATE, THE BROOKINGS INSTITUTION, WASHINGTON, DC

Mr. **Epstein**. Thank you, Mr. Chairman.

With your permission, I will excerpt from my prepared statement in these opening remarks.

Senator **Pressler**. Good. If you could do that, it would be very useful.

We will put your entire statement in the record, of course.

Mr. **Epstein**. Thank you, Senator.

I have some brief points on the primacy of NATO in American strategy, the European conventional balance, the maritime strategy, emerging technologies and the deep attack strategy, and no-first-use. All of these are discussed at much greater length in the prepared statement.

To begin, I would simply affirm that after the deterrence of direct attack on the United States, the defense of Western Europe is, and should be, the centerpiece of American national security policy.

I also believe the costs of this policy to be altogether bearable. In fact, I believe the conventional military balance in central Europe is considerably more favorable to NATO than is generally assumed.

Portrayals of a hopelessly adverse conventional balance in Europe generally rest on static and simplistic assessments which fail to take into account operational, technological, and dynamic factors of critical importance.

Allow me to elaborate briefly.

Although our allies can and should meet their spending growth commitments, the NATO alliance, as a whole, has consistently outspent the Warsaw Pact on defense since 1965, and a greater percentage of NATO's aggregate defense expenditure is directed at the European theater. It is often forgotten that upward of 15 percent of Soviet spending is directed at China.

The prevailing view of the military balance in Europe is, of course, that the Soviets are unequivocally superior at the conventional level. NATO puts more in, but the Warsaw Pact is assumed to get more out in actual military capability. For that to be so, the pact would have to be more efficient than NATO. There is no convincing evidence of this. One may counter that relative efficiency is not decisive since the Soviets face a wartime military task, offense, that is inherently easier than NATO's, defense. There is, again, very little evidence to support this. Indeed, as good Clausewitzians, the Soviets surely recall the master's own dictum: "The defensive form of warfare is intrinsically stronger than the offensive."

One advantage the defender enjoys is the opportunity to fight from prepared, even fortified, positions. By contrast, the attacker must come into the open, exposing himself to fire, in order to advance. Another defensive advantage is the chance to fight on familiar terrain, which in NATO's case would facilitate the channeling of Soviet armor onto some poor tank country, particularly if the terrain were prepared with field fortifications.

Further, in my view, our allies are more reliable than those of the Soviets. Western active units generally receive more training than pact units. Moreover, Western training is, in general, substantially more realistic; it draws upon more combat experience and upon the accumulated expertise of militarily skillful friends, such as Israel. According to the Joint Chiefs of Staff, NATO enjoys a substantial technological lead in many critical areas.

Historically, such qualitative factors have loomed larger than mere numbers. Air-to-air combat is a prime example. In World War II, Amerian pilots in the Pacific theater lost 1 plane for every 10 Japanese planes they shot down—an exchange ratio of 10 to 1. In the Middle East War of 1967, the Israelis scored a ratio of 20 to 1. In the October War of 1973, the ratio was 40 to 1, and in Lebanon, it exceeded 80 to 1.

These disparities are explained by technological advantages and, above all, by differences in pilot skill. While it would be imprudent to assume Western performance at the higher end of the above range, it is unduly pessimistic to assume no benefit whatever from our superior and more extensive training and our continuing technological lead.

As for ground forces, NATO active divisions are, on average, a good deal larger than their Soviet counterparts and are rated by the United States Army as being more combat effective—for United States armored divisions operating on the defensive, 50 percent more effective.

Obviously, no single measure of relative strength is conclusive, but balanced dynamic analyses taking into account such factors as those I have discussed lend credibility to a statement made by Gen. Frederick Kroesen, Commander of United States Army forces in Europe, and I quote: "It disappoints me to hear people talk about the overwhelming Soviet conventional military strength. We can defend the borders of Western Europe with what we have. I've never asked for a larger force."

Such assessments assume, of course, that NATO maintains its forces in an adequate state of readiness, that it responds to warning of Soviet attack, mobilizes in a timely way, and is able adequately to sustain conventional operations. There is no material reason why the alliance should fail to meet these requirements. Misallocations of resources, however, could compromise the effort. Moreover, strong conventional forces may, in fact, lower, not raise, the nuclear threshold if they are applied in escalatory ways. Two initiatives, the so-called maritime strategy and the deep attack strategy, which is closely linked to emerging technologies, deserve scrutiny in both these respects.

Whatever else it may be, the maritime strategy involves offensive aircraft carrier operations against the Soviet Union and offensive submarine operations that, whether inadvertently or by design, would threaten the Soviet strategic nuclear ballistic missile submarine force. Neither mission is necessary to defend the sealanes and ensure the reinforcement of NATO, a critical mission. The latter operation could prove highly provocative. Both are extremely expensive.

In effect, the maritime strategy takes scarce resources from the ground and tactical air forces that are indispensible to forward defense and diverts them into naval forces that are very inefficient in securing the sealanes and whose operations could run undue escalatory risks in addition.

Surely, it makes no strategic sense to field large and expensive conventional forces in order to avoid nuclear war and then to apply those forces in ways which unduly risk stimulating nuclear escalation.

The deep attack strategy is focused on the delay, disruption, and destruction of the Soviets' reinforcing echelons, or follow-on forces, as they are known, and on the suppression of the Warsaw Pact's airfields.

Conventionally armed ballistic missiles have been proposed in connection with the airfield suppression mission. The use of these could also increase the escalatory pressures inherent in conventional war. The Soviets might find it hard to distinguish conventionally armed ballistic missiles from nuclear-armed missiles in flight.

While this is not an immediate concern, it is an issue which could loom larger for NATO in the 1990's. The general efficiency of the deep attack strategy is also an issue. Allow me to explain why.

For a whole variety of strategic, political, and operational reasons, the Soviets would place a premium on securing a quick victory over NATO. NATO's top deterrent priority must be to make the

Soviets' best bet, a quick win by the first echelon, look bad, not to make a bad bet, a long war involving many echelons, look worse. The deep attack strategy does the latter, but at the expense of missions like close air support, which are essential to the former. And ultimately, if NATO cannot hold the first echelon, retaliation on the second will be cold comfort. NATO's main effort should be concentrated on the frontlines, also called the forward edge of the battle area, or FEBA. The emerging surveillance, target acquisition, and precision guidance technologies now associated with deep attack might more efficiently be focused there as well, rather than hundreds of kilometers to the east.

The forces of the Soviet second echelon, moreover, are not as combat capable as those of the first echelon. In any event, they can be attacked more easily when they are close to the FEBA than when they are progressing toward it over Eastern Europe's dense and redundant transportation network, itself a target system whose destruction would require operations in hostile airspace and the further diversion of resources from the vital task of thwarting the first echelon.

The Soviets, furthermore, may be able to circumvent NATO's plans to attack their second, and subsequent, echelons by sacrificing surprise, deploying all these "follow-on forces" forward, and building up to maximum mass before attacking NATO.

It is critical that the Western alliance preserve its technological lead over the Warsaw Pact, and a level of emerging technology research and development consistent with that goal should be sustained; but a balanced approach, stressing the front lines of NATO's defense, not a headlong plunge into promising, but unproven, longer range technologies, is called for.

Not even vast increases in the scale and efficiency of NATO's conventional spending, however, would justify a declaratory policy of no first use. We should never encourage the Soviets to believe that conventional aggression can be prosecuted with nuclear impunity. Such beliefs can only reduce Soviet uncertainty and weaken deterrence.

The Soviets might not believe a U.S. no-first-use declaration, but the allies probably would, in which case a number of long-term outcomes other than the hoped-for increases in conventional spending are conceivable. German acquisition of nuclear weapons is one.

In the meantime, serious American contemplation of no first use could weaken allied resolve. If the allies are given to believe that there is some level of conventional strength at which the United States would feel comfortable in dispensing with the threat of first use, they may feel an incentive to ensure that such levels of conventional strength are not attained. Less, not more, spending, and less, not more, deterrence, could result.

It is sometimes forgotten that one rationale for the quote, "first use guarantee," affirmed by the United States at Athens in 1962, was precisely to elicit allied support for greater conventional strength, and it worked.

The allies can, and should, meet their spending growth commitments. If they do so, and if U.S. defense spending is made more efficient, the Soviets should have very little basis for confidence of a quick conventional victory over NATO.

The alliance's conventional forces, backed up by theater nuclear and strategic nuclear forces, will present the Soviets with the most powerful overall deterrent that has ever existed, and should obviate the need for any fundamental revision in NATO's current strategy of forward defense and flexible response. NATO works. Let us not create a crisis by overrating the extent of the problem.

Thank you.

[The prepared statement of Mr. Epstein follows:]

PREPARED STATEMENT OF JOSHUA M. EPSTEIN

Mr. Chairman, members of the committee, I am honored by this opportunity to offer my views on the North Atlantic Alliance. I would like to discuss, in turn, the primacy of NATO in American strategy, the European conventional balance, the maritime strategy, emerging technologies (ET), the deep attack strategy, and finally, No-First-Use.

The Primacy of NATO

Aside from the deterrence of direct attack on the United States, the defense of Western Europe is, and should be, the centerpiece of American national security policy.

We Americans have paid--in two world wars--an incalculable price for peace and security in Europe. Since World War II, we have run significant risks to ensure their continuation. Cumulatively, trillions of dollars have been invested in Europe's postwar reconstruction and economic development. Sunk costs do not justify further expenditures; but they help to explain the "present value" of the asset. Today, outside the U.S. and Japan, and excluding the non-aligned and communist states, Western Europe represents the largest concentration of industrial and economic strength in the world. It also represents the largest concentration of political democracy in the industrialized world.

The views herein expressed are understood to be solely those of the author and should not be attributed to the Brookings Institution, to its trustees, officers, or other staff members, or to the organizations that support its research.

Were Europe to come under Soviet control, the global balance of economic, political, and military power would be revolutionized, and to our detriment. Democracy--already quite rare--would be eradicated in Western Europe, as it was in Eastern Europe. And, in the end, democracy in America could be imperiled as well--not necessarily by war, but by the enduring threat of it. We could be denied benefits of trade, and would certainly be denied all allied contributions to the common defense, which--though they should increase--are substantial. The political freedoms America seeks to preserve could vanish in the type of militarized social order that might be necessitated by unremitting long-term arms competition with an adversary controlling--as the Russians would--the preponderance of the world's advanced military-industrial capacity. America's power to reinforce allied and friendly states outside of Europe could be compromised, while the Soviets' capacity to threaten them would be increased.

Our formal Alliance Treaty commitment recognizes these interests, while the forward deployment of American ground troops ensures that the U.S. is automatically in conflict should forces of the Warsaw Pact threaten those interests by a military violation of the inter-German border.

We cannot be certain that, were Europe lost, things would evolve as disastrously as depicted above, but we cannot be sure that they wouldn't. If the costs are bearable, we should pay them and avoid the risk. And the costs are bearable.

The Conventional Balance

Indeed, the conventional military balance in Central Europe is considerably more favorable to NATO than is generally assumed.

Portrayals of a hopelessly adverse conventional balance generally rest on static, simplistic, and often inconsistent assessments which fail to take account of operational, technological, and dynamic factors of critical importance.

The factor that traditionally dominates public debate about the military balance is sheer numbers. Simple numerical comparisons--"bean counts"--can be very misleading. For example, it is often noted that the number of Soviet divisions is greater than the number of U.S. divisions. But it is seldom noted that Soviet and U.S. divisions are very different. A U.S. active division has almost 60 percent more manpower, is 40 percent more expensive, and, by the Army's own measures, is up to 50 percent more combat-effective than its Soviet counterpart.

The credibility of even the most balanced bean counting is undercut by its inconsistency with the services' own budget requests. To take one of many possible examples, if the Navy truly believed the category-by-category comparison of ship inventories to be meaningful, it would have no basis whatever for further procurement of large-deck aircraft carriers (two of which are entering service), since the United States already "leads" the U.S.S.R. in this category, thirteen to zero.

The selective failure to credit quality is a related inconsistency. In general, when the military services frame their budgets, they want quality, but they tend to assess the Soviet threat as though sheer quantity mattered most. If only the numbers matter, then let us not spend so much on quality. And if quality is worth the money we spend on it, then let us not turn around and evaluate the military balance as though numerical ratios alone were reliable predictors of military outcomes; they are not.

Similarly, we spend billions of dollars on battlefield maintenance and support; on logistics and mobility; on training; and on command, control, communications, and intelligence (C^3I). If the resulting levels of sustainability, personnel skill, and overall flexibility are worth what we invest in them, then their benefits should be reflected in our assessments of the military balance. All too often, they are ignored.

Not only the pattern, but also the level of spending raises questions about the dominant view. Although our Allies can and should meet their spending growth commitments, the NATO Alliance as a whole has consistently outspent the Warsaw Pact on defense since 1965, and a greater percentage of NATO's aggregate defense expenditure is directed at the European theater. It is often forgotten that upwards of 15 percent of Soviet spending is directed at China.

The prevailing view of the military balance in Europe is, of course, that the Soviets are unequivocally superior at the conventional level. NATO puts more in, but the Warsaw Pact is assumed to get more out (in actual military capability). For that to be so, the Pact would have to be more efficient than NATO. There is no convincing evidence of this. Indeed, if the Soviet defense and "civilian" sectors are as diabolically intermingled as is often assumed (in, for example, defense cost estimates that include Soviet railroads), then defense must share at least some of the efficiency problems of its civilian Siamese twin. One may counter that relative efficiency is not decisive since the Soviets face a wartime military task (offense) that is inherently easier than NATO's (defense). There is, again, very little evidence to support this. Indeed, as good Clausewitzians, the Soviets surely recall the master's own dictum: "The defensive form of warfare is intrinsically stronger than the offensive."

One advantage the defender enjoys is the opportunity to fight from prepared--even fortified--positions. By contrast, the attacker must come into the open, exposing himself to fire, in order to advance. Another defensive advantage is the chance to fight on familiar terrain, which in NATO's case would facilitate the channeling of Soviet armor onto some poor tank country, particularly if the terrain were prepared with field fortifications. Further, in my view, our allies are more reliable than those of the Soviets. Western active units generally receive more training than Pact units. Moreover, Western training is, in general, substantially more realistic; it draws upon more combat experience and upon the accumulated expertise of militarily skillful friends (e.g., Israel). According to the Joint Chiefs of Staff, NATO enjoys a substantial technological lead in many critical areas.

Historically, such qualitative factors have loomed larger than mere numbers. Air-to-air combat is a prime example. In World War II, American pilots in the Pacific theater lost one plane for every 10 Japanese planes they shot down--an exchange ratio of 10 to one. In the Middle East war of 1967 (the Six-Day War), the Israelis scored a ratio of 20 to one; in the Yom Kippur War of 1973, the ratio was 40 to one; in Lebanon, it was over 80 to one. These disparities are explained by technological advantages and, above all, differences in pilot skill. While it would be imprudent to assume Western performance at the higher end of the above range, it is unduly pessimistic to assume no benefit whatever from the West's superior, and more extensive, training and its continuing technological lead. As to ground forces, NATO active divisions are, on average, a good deal larger than their Soviet counterparts and are rated by the U.S. Army as more combat-effective--for U.S. armored divisions operating on the defensive, 50 percent more effective.

Obviously, no single measure of relative strength is conclusive, but balanced dynamic analyses taking into account such factors as those discussed above do lend credibility to a statement made by General Frederick Kroesen, commander of U.S. Army forces in Europe: "It disappoints me to hear people talk about the overwhelming Soviet conventional military strength. We can defend the borders of Western

Europe with what we have. I've never asked for a larger force."[1]

Such assessments of course assume that NATO does not allow Soviet investments to go unanswered in the future, and that NATO maintains its forces in an adequate state of readiness, responds to warning of Soviet attack, mobilizes in a timely way, and is able adequately to sustain conventional operations. There is no material reason why NATO should fail to meet these requirements. Misallocations of resources, however, could compromise the effort. Moreover, strong conventional forces may in fact lower, not raise, the nuclear threshold if they are applied in escalatory ways. Two initiatives, the so-called maritime strategy and the deep attack strategy--which is closely linked to emerging technologies (ET)--deserve scrutiny in both these respects.

The Maritime Strategy

In a war, the Soviets--for a variety of political, strategic, and operational reasons--would place a premium on securing a quick conventional victory over NATO. It is critical to deterrence, therefore, that the Russians be convinced that NATO cannot be defeated quickly, and will convert the conflict into a long war in which NATO's superior industrial power will be brought to bear.

For the Western alliance to sustain conventional land and air operations for more than a very few months the U.S. Navy would have to protect NATO's sea line of communication (SLOC) from Soviet bombers and submarines. But this primary naval objective might be achieved in either of two ways: defensively or offensively. The former tactic would have the Navy deploy its aircraft carrier battle groups south of the so-called GIUK (Greenland-Iceland-U.K.) gaps, there to lie in wait for the Soviets, forcing them to run a series of defensive guantlets before engaging the carriers and Europe-bound convoys. The alternative would be to assemble a large-scale offensive naval strike force and steam north of the GIUK, north of Norway, and around the Cape to smash the Soviet threat in its lair, Murmansk. The Reagan administration's support for the latter, offensive, approach is clear.

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[1] Quoted in Senator Carl Levin, The Other Side of the Story, May 1983, p. 1.

How would a 15-carrier fleet be likely to fare in offensive operations against the Soviet Northern (or Pacific) Fleet? Here we are dealing with a specific campaign, the feasibility of which cannot be gauged by any mere comparison of U.S. and Soviet inventories; a dynamic analysis, capturing the dominant (and highly asymmetrical) factors, is essential. Such an analysis shows that, in fact, a 15-carrier fleet would stand very little chance of success in conducting offensive operations in these "high threat" areas. Specifically, even on assumptions that are uniformly favorable to the U.S. Navy--"best case" assumptions--a fleet of more than 20 carrier battle groups would be required to execute such operations while also fulfilling assignments in the Mediterranean, the Indian Ocean, and the Atlantic. At an estimated $18 billion per carrier battle group that would cost roughly $90 billion more than the already astronomical price of the 15-carrier 600-ship Navy.

Fortunately, there is no reason to assume this financial burden. If the Navy secures the sea lanes defensively--exploiting land-based airpower, mining, and anti-submarine warfare in the GIUK gaps--the case for even a 15-carrier fleet fades away; 12 deployable carrier battle groups (13 carriers overall) more than suffice.

The 15-carrier fleet therefore falls between two stools. If the Navy seriously intends to employ aircraft carriers offensively, a 15-carrier fleet is not nearly big enough; we should face the fact that at least five more carrier battle groups, and perhaps $90 billion more in defense spending, would be required. To safeguard the sea lanes, however, it is absolutely unnecessary to employ carriers in this fashion; defensive carrier employment is equally effective at lower cost. If we use the latter, far more efficient approach, a 13-carrier fleet is more than enough.

Associated with the maritime strategy's offensive surface naval actions are offensive undersea operations which would put Soviet nuclear ballistic missile submarines (SSBNs) at risk. Even if this were done inadvertently, the Soviets might well interpret these operations as a deliberate attempt to degrade their strategic retaliatory capability by conventional means.

As Barry Posen has written, "a deliberate conventional campaign against Soviet SSBNs could be understood by the Soviets as the beginning of a damage-limiting strategic first-strike. Given the importance of nuclear weapons and nuclear war in Soviet doctrine, even the appearance of such a campaign could trigger dire consequences.

American leaders may be surprised by the Soviet response, since they seem to believe that so long as nuclear weapons have not been used in destroying Soviet strategic forces, the prospect of Soviet escalation is not raised."[2] In fact, that prospect might be raised very sharply; if so, the aircraft carriers themselves would make lucrative targets for Soviet nuclear response.

Surely, it makes no strategic sense to field large and expensive conventional forces in order to avoid nuclear war and then to apply those forces in ways which unduly risk stimulating nuclear escalation. Whatever else it may be, the maritime strategy involves offensive aircraft carrier operations against the Soviet Union and offensive submarine operations that, whether inadvertently or by design, would threaten Soviet strategic forces. Neither mission is necessary to defend the sea lanes and ensure the reinforcement of NATO (a critical mission). The latter operation could prove highly provocative. Both are extremely expensive.

Deep Attack and ET

The deep attack strategy is focussed on the delay, disruption, and destruction of the Soviets' reinforcing echelons, or "follow-on forces," as they are known, and on the suppression of the Warsaw Pact's airfields. Conventionally-armed ballistic missiles have been proposed in connection with the airfield suppression mission. To the extent that it involves using conventionally-armed ballistic missiles launched from NATO territory, the strategy of deep attack could also increase the escalatory pressures inherent in conventional war. The Soviets might find it hard to distinguish conventionally-armed ballistic missiles from nuclear-armed missiles in flight.

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[2] Barry R. Posen, "Inadvertent Nuclear War? Escalation and NATO's Northern Flank," International Security, vol. 7 (Fall 1982), p. 43.

This may not be an immediate concern, since the Air Force prefers to perform this mission with penetrating aircraft. But it is an issue which could loom larger for NATO in the 1990s. The general efficiency of the deep attack strategy is also an issue.

As noted above, the Soviets would seek a quick decision over NATO. NATO's top deterrent priority must be to make the Soviets' best bet (a quick win by the first echelon) look bad, not to make a bad bet (a long war involving further echelons) look worse. The deep attack strategy (with which emerging technology, ET, is closely associated) does the latter, but at the expense of missions, like close air support, which are essential to the former. And, in the final analysis, if NATO cannot hold the first echelon, retaliation on the second will be cold comfort. NATO's main effort should be concentrated on the front lines, also called the forward edge of the battle area (FEBA). The emerging surveillance, target acquisition, and precision guidance technologies now associated with deep attack might more efficiently be focussed there as well (rather than hundreds of kilometers to the east).

The forces of the Soviet second echelon, moreover, are not as combat capable as those of the first echelon. In any event, they can be attacked more easily when they are close to the FEBA than when they are progressing toward it over Eastern Europe's dense and redundant transportation network, itself a target system whose suppression would require operations in hostile airspace and the further diversion of resources from the vital task of thwarting the first echelon.

The Soviets, furthermore, may be able to circumvent the ground component of the strategy (follow-on force attack, FOFA), by sacrificing surprise, deploying all the "follow-on forces" forward and building up to maximum mass before attacking NATO.

Air superiority is to be attained primarily through suppression of Soviet airfields far behind enemy lines. The very demanding deep penetration of enemy airspace by piloted aircraft is envisioned. This mission, if not supplanted by them, should be supplemented with more traditional and proven defensive approaches to air supremacy, including: increased sheltering for NATO's aircraft; runway hardening and repair; increased point defenses; improved jamming, deception, and IFF (identification friend or foe) capabilities; higher sortie rates so fewer aircraft are on the ground; and more flying and simulator hours to ensure greater combat effectiveness in the air.

All of this leaves aside the important question of whether the emerging technologies themselves can be countered (e.g., inexpensively spoofed). As a subsidiary point, the strategy places some reliance on Joint programs, such as JSTARS (Joint Surveillance and Target

Acquisition Radar System) when, traditionally, Joint programs have been ill-starred.

It is critical that NATO preserve its technological lead over the Warsaw Pact. A level of ET research and development consistent with that goal should be sustained. A balanced approach, stressing the front lines of NATO's defense, not a headlong plunge into promising, but unproven, longer-range technologies, is called for.

No-First-Use

Not even vast increases in the scale and efficiency of NATO's conventional spending, however, would justify a declaratory policy of No-First-Use. We should never encourage the Soviets to believe that conventional aggression can be prosecuted with nuclear impunity. Such beliefs can only reduce Soviet uncertainty and weaken deterrence. Moreover, beliefs about the adversary's nuclear doctrine can profoundly influence the way in which one conducts conventional operations. Freed of the concern for NATO first use, the Soviets might engage in a form of conventional warfare more escalatory than we had contemplated.

The Soviets might not believe a U.S. No-First-Use declaration. But the Allies probably would, in which case a number of long-term outcomes other than the hoped-for increases in conventional spending are conceivable: German acquisition of nuclear weapons is one. A drift toward neutralism is another.

In the meantime, serious American contemplation of No-First-Use could weaken Allied resolve. If the Allies are given to believe that there is some level of conventional strength at which the U.S. would feel comfortable in dispensing with the threat of first use, they may feel an incentive to ensure that such levels of conventional strength are not attained. Less, not more, spending and less, not more, deterrence could result. It is sometimes forgotten that one rationale for the "first-use-guarantee" affirmed by the U.S. at Athens in 1962 was precisely to elicit Allied support for greater conventional strength.

The Allies can, and should, meet their spending growth commitments. If they do so, and if U.S. defense spending is made more efficient, the Soviets should have very little basis for confidence of a quick conventional victory over NATO. The Alliance's conventional forces, backed up by theater nuclear and strategic nuclear forces, will present the Soviets with the most powerful overall deterrent that has ever existed, and should obviate the need for any fundamental revision in NATO's current strategy of forward defense and flexible response.

NATO works. Let us not create a crisis by overrating the extent of the problem.

Senator **Pressler**. Thank you.

Mr. Van Evera, may we have your statement, please.

STATEMENT OF STEPHEN VAN EVERA, CENTER FOR SCIENCE AND INTERNATIONAL AFFAIRS, HARVARD UNIVERSITY

Mr. **Van Evera**. Thank you. I will briefly summarize my statement, if that is OK.

Senator **Pressler**. Yes. Thank you.

Please speak right into the microphone.

Mr. **Van Evera**. Yes.

First, I will outline the original logic of our commitment to Europe, and, second, I will address the three principal arguments that have been advanced over the last 5 years for curtailing our commitment or withdrawing our forces from Europe. I think all of these arguments are mistaken.

The American commitment to Europe and the larger containment policy of which it has been part have usually been explained to the American people in ideological terms. But the original logic of containment was essentially geopolitical. The American architects of containment who designed it in the late 1940's endorsed it for the same reasons that we originally entered the Second World War and the First World War. To frame their objective in a single sentence, it was: to maintain the political division of industrial Eurasia, so that no single power dominated all of the latent warmaking power in Eurasia and therefore could mobilize it against the United States, perhaps threatening us across the Atlantic.

The logic here was that Eurasia, defined as the territory extending from Britain to Japan, had roughly double the aggregate industrial power of the United States; that industrial power represents the basic latent warmaking power of states, and is the best touchstone or measure of warmaking power; and that any single state that dominated all Eurasia, therefore, would outmatch the United States.

Two things follow from this in understanding our European commitment. The first is that we would have opposed Soviet expansion even if the Soviets had abandoned communism for democracy. So, to understand this policy in ideological terms is incorrect.

The second is that containment does not require a worldwide crusade against the left, but rather suggests a more selective policy that aims at the Soviet state. Containment should oppose the Soviets' leftist allies only insofar as they are agents of the Soviet state, and, only when they threaten regions of industrial importance.

Kennan, in his original concept of containment, identified only five industrially important regions in the world: the United States, the Rhine Valley, Britain, Russia, and Japan. He defined containment to be a policy which should see to it that the other four of those industrial regions remained under divided political control.

Today I think one would add the Persian Gulf as a sixth region of importance. However, the whole matter of whether more of the Third World ought to be included is, I think, very much in doubt. Kennan has argued, and I would as well, that the extension of containment to the Third World has been a major mistake by the United States in the cold war.

Three principal arguments for withdrawal from Europe have been advanced. My two colleagues will speak to the first one I think better than I can. It is that the NATO commitment is infeasible or too costly to maintain.

This view is premised on a seriously misinformed estimate of the current conventional military balance in Europe. Indeed, the entire American public discussion of military matters in Europe over the last decade has been based on a false view of the facts, and press accounts of the military balance have been much too gloomy. In fact, official statistics would show that the ground firepower balance in Central Europe in peacetime is only to the advantage of the Warsaw Pact by a slender margin of perhaps six to five. If NATO mobilizes promptly, following a pact mobilization, that ratio does not change enough to create a decisive advantage in favor of the pact, if NATO is intelligent in other regards. Furthermore, I think even these data may misconstrue the situation, and on that score, I think an important article has been written recently by Barry Posen in the journal of which I am editor, International Security, appearing in the winter issue for 1984–85. In this essay, Posen discusses how one ought to measure the aggregate firepower available to both sides, and suggests that even official numbers which show only a slender 6-to-5 pact advantage are unduly gloomy.

I also think that the logic of those who argue for withdrawals because the conventional defense of Europe is allegedly infeasible is backwards. This argument rests on the concept that our economy is too strained now that our share of gross world product has declined, and we can therefore no longer afford this commitment. In this view we suffer what Walter Lippmann termed an "insolvent foreign policy" in which commitments outrun resources.

This is backward thinking. The shift of relative economic power from America to Western Europe over the last 30 years, something we desired to cause and we are glad has occurred, means that Europe is harder for us to defend alone, and also is more able to defend itself. It also means that the defense of Europe is even more important for us than it was following the Second World War. The consequences of the loss of Europe to the United States would now be even more catastrophic, viewed in the geopolitical terms I outlined earlier.

If the Soviets were to dominate all of Western Europe and Eurasia today, the imbalance of resources thereby created would be larger now than it was in the late 1940's. Soviet total industrial power would then outmatch us by 2½ to 1.

So we can even less afford today the loss of Western Europe than ever in the past. The problems that make it harder to defend Europe also make its defense more important.

The solvency axiom therefore is backwards idea. We have to defend Europe one way or the other. The only issue ought to be how to do it and what the distribution of burden shares within NATO ought to be.

The second major argument for withdrawals from Europe is that in the long run our commitment will lead us into war. In this view, extended American commitments worldwide inevitably involve entanglement in fighting; local wars may develop in Europe as an example of this drawing us in, and, therefore, we should eventually pull out of Europe.

I think that this argument is incorrect. History shows that we have gotten into all three of the last great European wars—the last four if you want to go back to the Seven Years War—by staying out of Europe and not by being in.

British history teaches the same lesson. Had Britain been more engaged in continental affairs before the First World War and the Second World War, and had the aggressors in Europe recognized that they would face the full weight of British power before they launched their imperial designs, I think neither of the two world wars would have happened.

The name of the game in projecting our power into Europe in a way that keeps us out of war rather than getting into it lies in designing an essentially defensive alliance policy rather than an offensive one. I think Mr. Epstein has outlined some of the problems with some of the new offensive ideas we are seeing now with the maritime strategy and with the deep strike and air-land battle concepts.

All of these get away from the essentially defensive policy that I would recommend for NATO. Defense is wisest not merely because it is the most effective policy, or because it is cheap and feasible, but also because it is the safest policy. The single touchstone of our military doctrine for Europe ought to be defense. We should judge what we are preparing in part according to whether it shapes itself to a defensive or offensive design.

On that score, I think the maritime strategy and, in addition, the new strategic defense initiative, or SDI, should be viewed as unfortunate departures.

The third criticism of America's European commitment is made in terms that compare Europe in importance to the Third World. The argument is that we now have growing interests in the Third World that are threatened in a growing way and, therefore, we have to, of necessity, reduce our commitment to Europe. This will create a more efficient division of labor within the NATO alliance in which we would protect our interests in the Third World while Europe takes greater care of itself.

The idea here is less that Europe does not matter but rather that other places matter more and are under more threat.

In my opinion, this argument greatly exaggerates both the strategic importance of the Third World and the scope of threats that exist there to American security interests. I would observe again that industrial power is the element from which national military power is distilled, and advise that we measure the strategic importance of the Third World in these terms. If one does, one finds the entire Third World, including China, produces only some 18 percent of the gross world product. West Germany alone produces more than all of Latin America. Britain alone and Italy alone produce more than Africa. We are talking here about apples and oranges when we compare the importance of Europe to the Third World.

Unfortunately, people often use less reliable measures of strategic importance when they talk about the Third World. Particularly, we often hear that dependence on Third World raw materials such as Southern African chrome, cobalt, or manganese requires our involvement in the Third World.

In fact, oil is the only Third World raw material on which we have any great dependence. American, indeed, entire Western dependence on any other materials is very small. It is a serious error to confuse the scope of North-South trade, which is usually the index used to demonstrate northern dependence, with the true scope of northern dependence on southern materials.

We import 100 percent of many strategic materials. But if we saw Soviet control fall over the sources of those materials, we would replace those materials either with domestic production at a higher price, or by product substitution, or with alternate sources in the Third World.

Take chrome, for example. Before World War II we imported all our chrome. When we lost supplies in the war, we produced our own in California and Montana. The price was a lot higher than for imported chrome, but the metal was here and we could extract it if we wanted.

The rubber example from World War II is a case of product substitution. We lost access to Southeast Asian rubber and developed synthetic substitutes.

So, speaking generally, I think our public debate misconstrues the proper way to measure the strategic importance of the Third World.

Our public debate also misconstrues and greatly exaggerates the Soviet threat in the Third World. This is not good news. It means that the Soviet war machine is aimed at our vital interests, not at our trivial ones. The Soviet military machine has two basic directions or attitude to it. Offensive in its shape, and it is oriented, number one, toward intercontinental thermonuclear war toward the United States, and, number two, toward theater offensive war in Western Europe. That is exactly where we should wish it was not aimed.

It is not aimed at the Third World, despite the oft-discussed growth of Soviet power projection capabilities and naval capabilities. These capabilities, while they have been growing, grew from a base of roughly zero, and remain today very small. Aggregate Soviet airlift capabilities are half or less those of the United States, measured in ton miles per day that can be delivered. Aggregate Soviet amphibious assault capabilities are much smaller than those of the U.S. Marine Corps. In short, the Soviet military simply is not structured for imperial wars in the Third World. They can now move equipment in the Third World anywhere they want. They can not go in the Third World anywhere that the West is willing to oppose them militarily.

Lastly, speaking of the Soviet subversion threat, I think that the American security debate should take a more relaxed view of the whole problem of leftist subversion in the Third World. I say this not because leftists in the Third World are fond of America or raise no problems for us, but because the forces of nationalism that tear at the Third World, and have done so ever since the movement to decolonize began, guarantee that this is a very difficult part of the world for anybody to imperialize.

Nationalism makes it difficult for the United States to dominate the Third World. Nationalism earlier made it difficult for Europe to dominate, and the fact is that nationalism, which is an almost elemental force in modern world politics, makes it similarly very difficult for the Soviets to ever dominate any large part of the Third World.

In the main, we should let nature take its course on this score and recognize that, while the Soviets will, as they do today, always have a small musical chairs alliance network, composed largely of states who are too unpopular with the West or with their neighbors to find alliances locally, we can count on the natural forces of nationalism to keep any large Soviet alliance network from forming in the Third World, absent the direct imposition of Soviet power.

I think I will stop here and let John Mearsheimer proceed.

[Mr. Van Evera's prepared statement with attachments, along with responses to questions asked, follow:]

Why Europe Should Remain the Focus of American Strategy: A Geopolitical Assessment

Stephen Van Evera
Center for Science and
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Harvard University

Testimony prepared for hearings before the U.S. Senate Foreign Relations Committee, European Affairs Subcommittee, on "Is NATO Still the Centerpiece of U.S. Foreign Policy? Should It Be?", October 3, 1985.

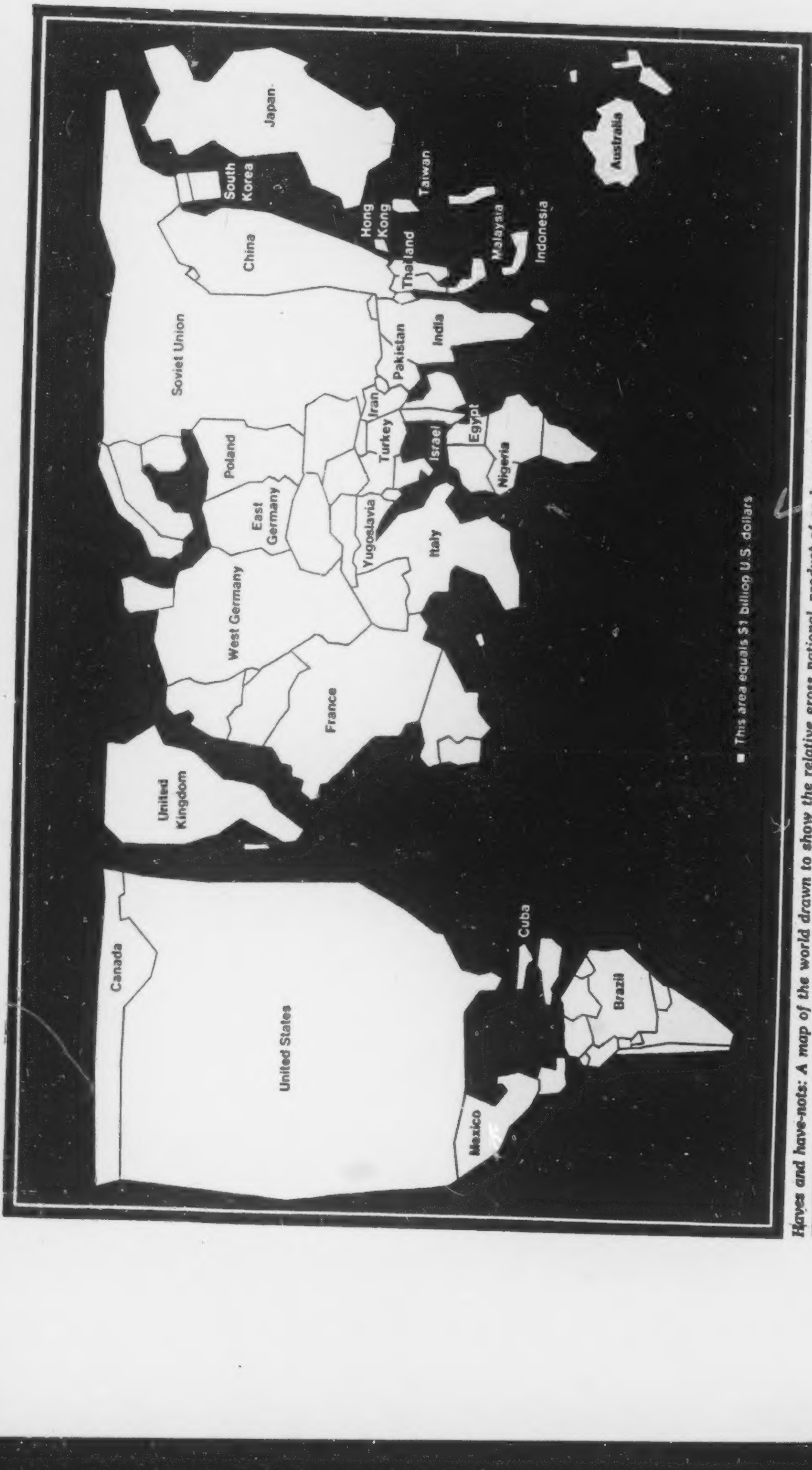
Stephen Van Evera Harvard University

SHARES OF GROSS WORLD PRODUCT (GWP), 1980 and 1960-65

	1980:	1960-65:
WESTERN INDUSTRIAL:		
United States:	22%	33%
NATO Europe:	27%	24%
Neutral Europe:	4%	3%
Total Europe:	31%	27%
Japan:	9%	4%
Other industrial (Canada, Australia, N.Z.):	4%	4%
Total Western Industrial	66%	68%
WARSAW PACT:		
Soviet Union:	10%	15%
Other Warsaw Pact states:	4%	4%
Warsaw Pact total:	14%	19%
THIRD WORLD:		
Latin America:	7%	
Africa:	3%	
Middle East:	3%	
South Asia:	2%	
East Asia:	4%	
Third World total:	19%	
WORLD TOTAL	100%	100%
LARGEST NATIONAL ECONOMIES		
United States:	22%	33%
Soviet Union:	10%	15%
Japan:	9%	4%
West Germany:	7%	5%
France:	6%	4%
Britain:	4%	5%
Italy:	3%	3%
China:	3%	4%
Canada:	2%	2%
Brazil:	2%	1%
Spain:	2%	1%
Mexico:	2%	1%
Netherlands:	1%	1%
India:	1%	2%
Australia:	1%	1%

Sources: Ruth Leger Sivard, World Social and Military Expenditures, 1983 (Leesburg, Va.: World Priorities, 1983); and Charles Lewis Taylor and Michael C. Hudson, World Handbook of Political and Social Indicators 2nd ed. (New Haven: Yale, 1972), pp. 306-10.

From The New York Times Magazine, 11/7/76 p. 35


Canada
United States
Mexico
Cuba
Brazil
United Kingdom
France
West Germany
East Germany
Poland
Yugoslavia
Italy
Turkey
Iran
Israel
Egypt
Nigeria
Pakistan
India
Soviet Union
China
South Korea
Japan
Hong Kong
Thailand
Taiwan
Malaysia
Indonesia
Australia
■ This area equals $1 billion U.S. dollars

Haves and have-nots: A map of the world drawn to show the relative gross national product of each country.

Based on a design by Edwin O. Reischauer

In recent years a number of voices have criticized the U.S. commitment to Europe, urging that the American commitment be scaled back, or terminated.[1] Some critics seek withdrawals in order to strengthen NATO, suggesting that Europe will do more to defend herself, and internal NATO friction will be lessened, if the United States reduces its involvement; others would remove all American troops from Europe, terminate the alliance, and remain neutral in any future European war. Some critics would withdraw from Europe while extending American commitments elsewhere, either by taking on offensive missions against Soviet flanks (for example, against Soviet arctic or Pacific naval bases), or by redirecting American power toward Third World intervention; others advocate a general American retrenchment, in Europe and elsewhere. Thus while some critics of the European

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1. Examples include: Jeffrey Record, "Beyond NATO: New Military Directions for the United States," in Jeffey Record and Robert J. Hanks, U.S. Strategy at the Crossroads: Two Views (Cambridge, Mass.: Institute for Foreign Policy Analysis, 1982), pp. 1-36; Irving Kristol, "What's Wrong With NATO?" The New York Times Magazine, (September 25, 1983), pp. 64-71. Christopher Layne, "Ending the Alliance," Journal of Contemporary Studies (Vol. 6, No. 3 (Summer 1983), pp. 5-31; Eliot Cohen, "The Long-Term Crisis of the the Alliance," Foreign Affairs Vol. 61, No. 2 (Winter 1982/83), pp. 325-343; Earl C. Ravenal, "The Case for A Withdrawal Of Our Forces," The New York Times Magazine (March 6, 1983), pp. 58-75; Ronald Steel, "Ending the American Protectorate of Europe," Harper's Vol. 256, No. 1586 (July 1982), pp. 10-14; senator Gary Hart, "Getting Out Of Europe," in Thomas Frank, ed., The Tethered Presidency; Henry Kissinger, "A Plan to Reshape NATO," TIME: The Weekly Newsmagazine Vol. 123, No. 10 (March 5, 1984), pp. 20-24; and Lawrence Beilenson, Survival and Peace in the Nuclear Age (Chicago: Regnery/Gateway, 1980). A discussion of some of the issues raised by this literature is Keith A. Dunn and William O. Staudenmaier, Strategic Implications of the Continental-Maritime Debate (New York: Praeger Publishers, 1984).

commitment wish to bolster NATO, others would dismantle it, and while some seek better ways to pursue containment, others would abandon it. All, however, propose major reductions in the current American commitment to Europe.

These critics have identified genuine problems and dilemmas in America's European policy. On balance, however, none makes out a case for the withdrawal they recommend. The European policy they criticize is both successful and essential, while the changes they suggest would harm American security and raise the risk of war.

This paper explores the original rationale for the American commitment to Europe, and the reasons why that commitment must be maintained. The following section outlines the geopolitical logic that underlay containment at its origin. Sections II and III assess the principal arguments that have been advanced for curtailing the American commitment to Europe, and for expanding American commitments in other areas.

I: THE GEOPOLITICAL FOUNDATIONS OF AMERICA'S EUROPEAN COMMITMENT

The American commitment to Europe after World War II was motivated by the same objective that had earlier drawn the United States into the war: the need to preserve the political division of industrial Eurasia. American policymakers noted that if any single state conquered the Eurasian landmass, it would control more industrial power than the United States. It could therefore distil greater military power from its national economy, and might threaten the U.S., even across the wide space of the Atlantic ocean. At best the United States would then require a vastly larger permanent defense effort, while at worst it might be defeated and subjugated. The same concern had drawn the United States to fight Germany in 1917 and 1941, and had earlier drawn Britain, from a parallel standpoint, to contain Napoleonic and Czarist Russian expansion.

The principal intellectual architects and defenders of containment--George Kennan, Walter Lippmann, Hans Morgenthau--were motivated chiefly by these concerns, as were other members of the policy community.[2] Kennan summarized his own thinking in these terms:[3]

> It (is) essential to us, as it was to Britain, that no single Continental land power should come to dominate the entire Eurasian land mass. Our interest has lain rather in the maintenance of some sort of stable balance among the powers of the interior, in order that none of them should effect the subjugation of the others, conquer the seafaring fringes of the land mass, become a great sea power as well as land power, shatter the position of England, and enter--as in these circumstances it certainly would--on an overseas expansion hostile to ourselves and supported by the immense resources of the interior of Europe and Asia.

Kennan saw only five regions of industrial importance: the Soviet Union, the Rhine valley, Great Britain, Japan, and the

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[2] See John Lewis Gaddis, Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy (New York: Oxford University Press, 1982), pp. 25-88; and Melvyn P. Leffler, "The American Conception of National Security and the Beginnings of the Cold War," American Historical Review, Vol. 89. No. 2 (April 1984), pp. 346-81, especially pp. 356-8, 370, 374, 377.

[3] George F. Kennan, American Diplomacy 1900-1950 (New York: New American Library, 1951), p. 10.

United States.[4] He therefore advised that American policy should strive to maintain a political division among the other four. In practice this drew the United States inexorably into Western Europe, the only place where two of these regions were simultaneously threatened by a third.

Containment and its attendant European commitment were sold to the American people in the crusading image of a battle between "slave" and "free" worlds. However, the geopolitical logic of containment required that the United States oppose Soviet expansion even if the Soviets abandoned Communism for democracy. Conversely, the logic of containment did not require a general crusade against leftist forces around the world, unless these forces, unopposed, would bring a Soviet Eurasian hegemony nearer. Containment logic suggested that leftist movements be opposed if they threatened to capture economic or military assets which could add significantly to Soviet warmaking power, and if they could be expected eventually to turn these assets over to Soviet control. As Kennan and Lippmann often noted, however, indigenous leftist movements in the Third World seldom threatened to seize areas of any industrial importance, and could often be weaned from the Soviets by accommodationist policies if the West so chose. Rather, they advised, containment should focus on Europe, where the real stakes and the real threat were found.

This geopolitical logic remains essentially valid today. Indeed, viewed in pure economic terms, the geopolitical case for a European commitment is stronger now than forty years ago. In the intervening years the industrial power of Western Europe and of all of Eurasia has risen, (to 30% and 58% of gross world product, respectively), while the American share of gross world product has fallen from postwar highs of 40-50% down to 22% today. The growth of West European economic strength means that Europe is now better able to defend itself than formerly, so a stronger case for greater European military self-reliance can now be made. However, this growth also means that Europe's defense is increasingly crucial to American security, because the conquest of Western Europe would add more substantially to Soviet warmaking capacity. Indeed, a Soviet Eurasian hegemony would now create a Soviet industrial preponderance of 2.6:1 over the United States--substantially larger than the preponderance that a Eurasian hegemon would have enjoyed in 1941 or 1946. It therefore remains true, and is indeed increasingly true, that Western Europe must be defended one way or another.

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[4] George F. Kennan, Memoirs 1925-1950 (Boston: Little, Brown, 1967), p. 359.

II: THE CASE AGAINST THE CASE FOR AMERICAN WITHDRAWAL FROM EUROPE

Advocacies of American withdrawal from Europe can be classed in three basic varieties: those claiming that an American commitment is infeasible at reasonable cost, and should therefore be curtailed or abandoned;[5] those suggesting that withdrawals will leave NATO stronger by shocking European NATO into greater action, and by diminishing intra-allied friction;[6] and those claiming that the American commitment raises the risk of war for the United States.[7] I will discuss each in turn.

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[5] Examples include Ravenal, "The Case for Withdrawal"; Record, "Beyond NATO"; and Layne, "Ending the Alliance."

A: "We Can't Defend Europe," and "It Costs Too Much to Defend Europe."

The argument that European defense is infeasible or too costly contains several strands. Some analysts point to the development of a Soviet strategic nuclear second-strike capability, and the greater demand that this development places on NATO conventional and theater nuclear forces--which, these analysts claim, cannot provide a high-confidence deterrent. Others claim that growing Soviet conventional power renders conventional defense newly infeasible. Still others point to constraints imposed by growing American economic problems, or to a cultural deterioration that allegedly saps Europe's will to defend herself and renders conventional defense more difficult. Lastly, some would withdraw American forces from Europe to save money, while remaining committed to NATO.

Four points bear mention in reply. First, these arguments are premised on an unduly gloomy view of the current conventional military balance in Europe. Pessimistic assessments of the European conventional balance have long been conventional wisdom in the American defense community, but they are not borne out by analysis. In fact, NATO conventional forces stand a better than even chance of defending successfully today, and NATO can cope with emerging threats with a reasonable effort. Official statistics show the Warsaw Pact with a small advantage--about 1.2:1--in aggregate ground firepower in the central European theater in peacetime. This Pact advantage would expand significantly in the course of a NATO-Pact mobilization race. However, the Pact probably could not sustain the theater-wide firepower superiority that it would require for victory if NATO mobilized in a timely fashion. Moreover, official methods of measuring Pact and NATO firepower may significantly underestimate NATO firepower, so that NATO may actually hold an overall firepower advantage in peacetime, and the Pact may never gain a large lead during a mobilization race.[8] Lastly, in my judgment NATO appears even stronger when air power and allied reliability are factored into the equasion. NATO will win the European air battle, with important effects on the ground battle, and NATO allies are relatively much more reliable than are the Soviets' Eastern European allies.[9]

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[6] Examples include Kristol, "What's Wrong With NATO?"; Cohen, "The Long Term Crisis"; and Layne, "Ending the Alliance."

[7] Examples include Steel, "Ending the American Protectorate," and Beilenson, Survival and Peace.

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8. See Barry Posen's important essay, "Measuring the Conventional European Balance: Coping With Complexity in Threat Assessment," International Security Vol. 9, No. 3 (Winter 1984-85), pp. 47-88.

9. My colleagues Dr. Joshua Epstein and Prof. John Mearsheimer will discuss these questions at greater length. Additionally, each has published landmark essays on the conventional European and Persian Gulf balances which, along with Posen (fn. 8), deserve the close attention of this committee. See especially John J. Mearsheimer, "Why the Soviets Can't Win Quickly in Central Europe," International Security Vol. 7, No. 1 (Summer 1982), pp. 3-39; and Joshua Epstein, "Soviet Vulnerabilities in Iran and the RDF Deterrent," International Security Vol. 6, No. 2 (Fall 1981), pp. 126-58.

Second, gloomy views of current NATO defense arrangements are unduly dismissive of the deterrent power of NATO nuclear threat.[10] The NATO threat to use nuclear weapons if NATO conventional forces face defeat is real, and Soviet planners must take it seriously. The "tripwire" concept that underlies American posture in Europe is not a mere fantasy: American conventional and theater nuclear forces do constitute a possible "tripwire" to nuclear war. Indeed, in my judgment any great East-West conventional war will have a pronounced propensity to escalate, even against the pre-war wishes of both sides. Those who dismiss NATO nuclear threats discuss NATO decisions to launch nuclear weapons as if they require a rational decision in a calm government office. But wartime escalation may not work this way. Rather, offensive operations by both sides will create or uncover real or imagined pre-emptive vulnerabilities and possibilities that were not recognized in peacetime. Soviet doctrine, which emphasizes the need to pre-empt NATO nuclear forces with nuclear weapons at the first signs of their use, makes nuclear escalation still more likely, and removes the decision to go nuclear further from the rational realm of NATO planning agencies.

Therefore, those who dismiss the NATO nuclear threat as a bluff not only encourage Soviet adventurism, but also underestimate the real threat that NATO nuclear forces pose.

Third, the basic logic of withdrawal advocates is faulty:

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[10] See, for instance, Kristol, "What's Wrong With NATO?", pp. pp, suggesting that the American nuclear umbrella is "99 percent bluff."

even if the conventional European balance were dreadful, and the NATO nuclear threat impotent, and American resources severely strained by our European commitment, this would not make out a case for withdrawal from Europe. Rather, it would argue for a greater American commitment. The logic of the "solvency" axiom--that American commitments should be brought into line with American resources by scaling back commitments--is essentially backwards.[11] If the United States had a superabundance of resources we could affort to commit heavily to Europe, but we also could afford not to do so, since a Eurasian hegemony then would not pose much of a threat to us--we could defend ourselves against it standing alone. As the American share of world resources has shrunk it has become harder for us to shape the conventional balance in Europe, but it has also become more important that we do so, since our security is more directly jeopardized if Europe is overrun. The fact that the American share of gross world product diminishes makes the defense of Europe both more difficult and more essential for the United States.

Moreover, the United States obviously has the raw resources to defend Western Europe. Images of an American economy destroyed by the costs of the European commitment[12] are considerably overdrawn. Excessive defense spending certainly drains the American economy, but this is no excuse for allowing Western defenses to weaken. The United States alone has greater industrial power than does the entire Warsaw Pact, and therefore obviously has the resources needed to defend vital American interests against Pact attack. The only questions concern the proper strategy for NATO to adopt, and how the burdens of European defense should be distributed within the alliance.

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[11] The concept of "solvency" is from Walter Lippmann, U.S. Foreign Policy: Shield of the Republic (Boston: Little, Brown, 1943), who speaks of the need to bring commitments and power into balance, and the "insolvent foreign relations" that otherwise results. (p. 10.)

[12] See, for instance, Ravenal, "A Case For Withdrawal," p. 75, suggesting that pursuit of containment will "wreck our economy and warp our society."

Fourthly, it bears mention that the withdrawal of American forces from Europe will increase the cost of commitment unless we also decide not to deploy troops in Europe in event of war. Analysts who suggest that the United States can save money by withdrawing forces even while maintaining the European commitment are wrong on the facts. Once withdrawn, American ground forces would require costly additional airlift plus POMCUS stocks, or sealift plus sea control, to return them to Europe in event of war.[13] It is in fact cheaper to leave the forces in place in Europe, if the U.S. undertakes a commitment to use them there.

B: "We should pull out of Europe to get Europe to do more!"

Some analyst suggest that American withdrawal can actually strengthen NATO, even as it lightens the American defense burden. In this view the distribution of burden shares within NATO is unfair today, because Europe insists on "free riding" on an America willing to bear the chief costs. If the U.S. does less, Europe will eventually pick up the slack, and intra-allied bickering over burden shares will diminish, smoothing allied cooperation. Moreover, in this view, a new division of labor that leaves the defense of Europe to Europe will be more efficient, as homeland defense (of Europe by Europe) is usually less expensive than the defense of distant third areas (e.g. Europe by the United States.) Some analysts also see a therapeutic benefit to the "shock treatment" that an American withdrawal might administer to lethargic, pacifistic European societies.[14]

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[13] See Caspar Weinberger, Annual Report to the Congress, Fiscal Year 1984 (Washington: U.S. Government Printing Office, 1983), pp. 186-190.

The United States does indeed carry a disproportionate share of NATO alliance defense burdens. Since Europe is more directly threatened than is the United States, it seems generous for the United States to accept even a principal of equal burdens. However, the current NATO burden falls even more heavily on the U.S. than Europe. In 1982 the United States spent $846 per capita on defense, while the other 14 NATO allies spent $59-$462. The U.S. spent 6.5% of GNP on defense, in contrast with the Federal Republic of Germany (4.1%), Belgium (3.4%), and the Netherlands (3.3%), which key the NATO defense of north central Europe.[15] In short, Uncle Sam is carrying a heavier share of the weight.

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[14] Kristol suggests the need for "shock treatment," p. 71.

[15] International Institute for Strategic Studies, The Military Balance, 1984-85 (London: IISS, 1984), pp. 140.

Before adopting a solution to the burden shares problem, however, we must first take care to understand its causes. Advocates of a tactical American withdrawal from NATO assume that European NATO is merely free riding, Mancur Olson style, on American generosity.[16] However, two other causes also seem important. First, West Europeans believe the Soviets are much less threatening than do Americans. They do less because they believe there is less to be done. American and European policies could be brought more closely into line by bringing their perceptions of the facts about the Soviet threat more closely into line.

Second, West Europeans disagree with the American strategic concepts for the prosecution of containment. Specifically, Western Europe prefers a more defensive military strategy than does the United States, and views the offensive ideas emanating from the Reagan administration with a jaundiced eye. Western Europe also prefers a Kennan/Lippmann/Morgenthau variety of containment which would defend industrially important areas from direct Soviet military expansion, but would eschew a global crusade against the indigenous Third World left. This is not merely because Europe qualifies for NATO help under these criteria, but also because Europeans have less phobia about Marxism than do Americans, given the large presence of Marxist parties and ideas in West European societies; and because the European colonial experience gives Europe a tempered view of the significance and feasibility of Third World colonialism and expansionism by East or West.

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[16] Suggesting a "free rider" dynamic in alliances in which the smaller allies exploit the larger are Mancur Olson, Jr. and Richard Zeckhauser, "An Economic Theory of Alliances," in Francis A. Beer, ed., Alliances (New York: Holt, Rinehart and Winston, 1970), pp. 120-42.

Much of the gap between the American and West European defense efforts reflects these strategic differences: Extra American spending on strategic nuclear counterforce systems, a 15-carrier Navy for offensive power projection against Soviet onshore bases, and Third World intervention forces account for a good chunk of the European-American spending differential. In short, Europe spends less because Europe spends differently, on a narrower range of missions that reflect a different (and less demanding) strategic theory of containment. Once again, if American and European strategies were more closely in line, NATO burden shares would be more equitably distributed--either Europe would spend more, or the United States would spend less.

This suggests that the burden shares dispute can be more easily narrowed by dialogue than by coercion. Before clobbering Europe with a punitive withdrawal, Americans should communicate to Europe the basis for American strategic choices, and for American estimates of the Soviet threat. Americans should also consider the possibility that some European counter-arguments have merit. In my own opinion Europe is largely wrong about the Soviet threat--Europeans generally underestimate Soviet aggressiveness (if not Soviet power)--but Europe is correct about grand strategy. NATO as a whole would be better off if, instead of quarrelling over burden shares, the United States adopted the European strategic view, and restructured American military forces accordingly.[17] This would allow cuts in American military spending.

Before adopting a punitive withdrawal Americans should also recognize the damage that such an action would inflict on NATO conventional defenses. A withdrawal undertaken to shock NATO into greater self-defense would have drastic consequences if Europe failed to take up the slack--and beyond a point Europe simply cannot do so. American ground forces are, with the Germans, best trained and equipped of the NATO central front ground forces. They supply some 28% of total peacetime NATO ground firepower in the central theater, while reinforced American formations will supply 37% of total NATO firepower following a 60-day mobilization.[18] Of NATO's 3000 tactical aircraft in Europe, 500 are American, and are among NATO's best planes.[19] An unreplaced withdrawal of these forces obviously would administer a severe shock to the military balance. A total withdrawal would, moreover, remove the nuclear "tripwire," and thus represent a substantial removal of the nuclear threat. A Soviet "clever briefer" will find it much easier to explain how

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[17] This argument is extended in Barry R. Posen and Stephen Van Evera, "Defense Policy and the Reagan Administation: Departure from Containment," International Security Vol. 8, No. 1 (Summer 1983), pp. 3-45.

[18] Andrew Hamilton, "Redressing the Conventional Balance: NATO's Reserve Military Manpower," International Security Vol. 10, No. 1 (Summer 1985), p. 116 (using Hamilton's "Heavy Division Equivalent" scores.)

[19] Harold Brown, Defense Department Annual Report, Fiscal Year 1982 (Washington, D.C.: Department of Defense, 1981), p. 72.

Europe can be conquered conventionally after American forces are gone, and there is no way that Europeans can replace this loss, unless Germany deploys an independent German nuclear force.

The principal burden for the defense of Europe should indeed fall on Europe, and such an arrangement is indeed the more efficient division of international labor. However, Europe already does carry the chief burden in its own theater, and a unilateral reduction in the U.S. burden would both weaken NATO conventional defenses and undermine NATO's nuclear threat. This is a steep price to pay for an adjustment in burden shares, and the United States should seek other solutions first.

C: "The European Commitment will get us into war!"

Some withdrawal advocates would terminate the American commitment because they believe that it raises the risk of war for America. In this view American forces in Europe are less likely to deter war than to serve their tripwire function after failing to deter, sucking the United States into a nuclear conflict.

The validity of this argument depends on American policy: America can choose to defend Europe in war-causing or war-preventing fashion. If the United States adopts war-causing methods, then we would indeed be better off to leave Europe. But if our methods are peace-causing, as they have been, then our European commitment protects us from war as well as from insecurity.

History warns that the United States does not easily avoid great European wars: we have become involved in each of the last three. Whether wisely or foolishly we could well become involved in the next, by processes paralleling our involvement in those of the past, or perhaps by a concatonation of events that we cannot foresee in peacetime. We therefore have a paramount interest in preserving peace in Europe, and we help to protect ourselves from war if we achieve this aim.

History further warns that in the past we got into great European wars by staying out of Europe--not by being in. Both World Wars could have probably been prevented had the Germans and Japanese on both occasions recognized that they would eventually face the full weight of American power if they pursued their imperial plans. British history teaches the same lesson: Had Britain been more forcefully involved on the continent in 1914 and in the 1930's, especially in ways more visible to the aggressors, those wars might have been prevented.

At the same time a bellicose and offense-minded American strategy for defending Europe could raise rather than lower the risk of war. The question hinges on the distinction between defense and offense: outside powers can pacify warlike regions if their intrusion makes aggression difficult for regional states, but outsiders raise the risk of war if their intrusions threaten the security of regional states, or create local offensive opportunities. A defense-enhancing policy strengthens peace by easing the security dilemma--all states are relieved from the need to aggress to be safe--and by deterring aggressors with insurmountable opposition. But an offensive policy can cause war by prodding local powers into defensive bellicosity.[20]

For the United States, then, the key to defending Europe in a peace-causing way lies in adopting a military strategy that defends effectively, but does so with a minimum of offense. Current American defense arrangements--the "flexible response" NATO strategy--essentially matches this description, being both defensive and effective. However, changes proposed by the Reagan administration--the 15 carrier fleet and its accompanying "maritime strategy" concept of striking at Soviet fleet home bases, the Follow On Forces Attack (FOFA) and Airland Battle 2000 concepts for continental European war, and the renewed emphasis on strategic nuclear counterforce, begun under the Nixon/Ford and Carter administrations but extended under Reagan (and illustrated by the MX, the Trident D5 and the "Star Wars" SDI program)--all represent essentially offensive innovations in NATO strategy.

Advocates of these Reagan programs suggest that an American defense of Europe requires an offensive component, and compare the American circumstance to that of France in 1938: France required an offensive capability against Germany if she hoped to defend the Czechs and Poles against German expansion; the United States, these analysts suggest, is in the same situation vis a-vis the Soviet Union and Western Europe--it must pose an offensive threat to the aggressor's vitals to deter successfully.

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[20] Robert Jervis has discussed the "security dilemma" and the rising risk of war when conquest grows easier in "Cooperation Under the Security Dilemma," World Politics Vol. 30, No. 2 (January 1978), pp. 167-214. I have suggested that perceptions of offense- dominance and inordinate offense-mindedness helped cause the First World War in Stephen Van Evera, "The Cult of the Offensive and the Origins of the First World War," International Security Vol. 9, No. 1 (Summer 1984), pp. 58-107.

However, the successful history of flexible response indicates otherwise. Under flexible response NATO has for many years maintained a powerful defensive capability, but little meaningful offensive capability. This strategy has defended Europe and prevented war. No recent developments have undermined its logic or cast doubt on its future success. In short, NATO seems free to stay on its defensive course. Moreover, as long as it does so the American commitment to Europe will lower, rather than raise, the risk of war to America.

III: THE CASE AGAINST THE CASE FOR WIDER INVOLVEMENT IN THE THIRD WORLD

Some advocates of withdrawal premise their case in part on arguments that American interests in the Third World have grown, and are even less well protected than American interests in Europe.[21] Therefore, the argument goes, we should redirect resources from Europe to address Third World threats. The Third World threat of greatest concern lies in possible Soviet or indiginous threats to Persian Gulf oil supplies. However, some strategists also worry that the United States is neglecting threats in

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[21] See, for instance, Record, "Beyond NATO"; and Layne, "Ending the Alliance."

Central America, Southeast Asia, and elsewhere in the Third World by adopting a European-focused military strategy.

I subscribe to the opposite view, that the United States is too deeply engaged in the Third World already. If anything, American policy should be more focused on Europe, relative to Third World contingencies. American stakes in the Third World are vastly smaller than the stakes in Europe, and they are already well-protected--indeed, over-protected--by current American Third-World oriented forces.

Turning first to the Persian Gulf, the American stakes there are real, but are already adequately defended. American dependence on Persian Gulf oil is quite small today, but our industrial allies are heavily dependent, so America must accept the need to maintain Western access to Persian Gulf oil. However, the West already has enough military power to perform this task. The only serious long-term threat to oil supplies would lie in a Soviet seizure of the oilfields. Superficial appearances--Soviet proximity and Western distance from the region--would suggest a Soviet military advantage. However, this appearance is deceiving. To attack the Iranian oilfields the Soviets must travel some 850 miles over almost roadless mountains, through dozens of choke points that could be closed by American carrier- based or ground-based air. By the time Soviet forces arrived in southern Iran, best analyses suggest, the United States could have adequate forces in the threater to halt their further movement into the oilfields.[22] In short, current American policies already address this problem.

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[22] See Epstein, "Soviet Vulnerabilities," passim.

Elsewhere in the Third World the American stakes are much smaller, and the Soviet threat smaller still. By the principal and best measure of strategic importance--industrial power--the entire Third World ranks very low. All of Latin American produces an aggregate GNP smaller than that of West Germany; all of Africa has an aggregate GNP below that of Italy or Britain. The aggregate GNP of the entire Third World, including the Persian Gulf, is only three fifths that of Western Europe, and less than half that of Western Europe plus Japan. Modern military power is produced by industrial power; the Third World has very little industrial power, hence little military potential, and correspondingly little strategic significance.

Two arguments can be offered to restore the Third World to strategic importance. First, some analysts suggest that while Third World industrial output is low, the Third World produces raw materials on which Western industry depends. Second, some suggest that basing rights in Third World areas can be militarily important, even if industrial output is trivial.

The first of these arguments rests on a mismeasurement of economic dependence, and confuses the scope of North-South trade with Northern dependence upon the South.[23] In reality oil is the only Southern raw material on which the North depends to any degree. The North imports a wide range of other strategic materials, such as chrome, manganese, cobalt,[1] and other metal ores, from Third World areas. However, the industrial North could adjust by product substitution, local production, or finding alternative Third World sources if it lost access to any of these minerals from a given country or region. The case of chrome is instructive: the United States imports all of its chrome today, but it produced chrome during World War II from American mines, and could do so again, albeit at higher cost, if an emergency arose.

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[23] On the measurement of dependence and interdependence the classic essay is Kenneth N. Waltz, "The Myth of National Interdependence," in Charles P. Kindleberger, ed., The International Corporation (Cambridge, Mass.: MIT Press, 1970), pp. 205-223.

The second argument, regarding basing rights, must be assessed on a case-by-case basis. Such arguments should be evaluated by asking how the loss of Western bases or the appearance of Soviet Third World bases would affect American ability to defend areas of greater intrinsic importance. The case for the importance of Third World bases is seldom made in these terms, so our conclusion must be more indeterminate. However, analysts should recognize that a case for Third World involvement that omits this information is incomplete. For instance, analysts should not assume that American bases in the Philippines are centrally important until it is demonstrated that American strategy for the defense of Japan or the Persian Gulf depends in some fashion upon them. (I doubt that such a case can in fact be made.) Similarly, arguments for the strategic importance of Soviet bases in Central America should not be accepted until the threat that they pose to American wartime operations in defense of Europe or the Persian Gulf is explained, and the cost of preparing effective countermeasures is assessed. (I suspect that study would reveal that these bases would pose an insignificant threat that could be neutralized by relatively inexpensive countermeasures.)

Lastly, the Soviet threat to the Third World is much less serious than the Soviet threat to Europe. The Soviet war machine is designed principally for land continental warfare. Accordingly, it poses a very real threat to Western Europe, but a much smaller threat to Third World areas. Soviet power-projection capabilities have grown in recent years, but they remain dwarfed by Western capabilities. Soviet airlift assets are much smaller than Western assets, Soviet amphibious assault forces are a fraction the size of the American, and Soviet ground forces are configured primarily for combat against Western forces, not Third World guerillas. The Soviets today can move forces globally if they are not opposed, but they cannot project power over any distance against Western opposition.

This is no cause for comfort. It means that the Soviet military effort threatens important regions, while bypassing less important areas. Soviet weaponry avoids our extremities, but aims directly at our vitals. But this does mean that the direct Soviet threat to the Third World is easily managed by current American forces, and the U.S. need not stretch itself thin in Europe to meet wider Soviet military threats elsewhere.

The indirect, or subversive, Soviet threat to the Third World is similarly overblown. Cold War history shows that the

Soviet empire does not expand via leftist "proxies," but by the direct imposition of Soviet military power. Where the Soviets can plant the jackboot of their armies--in Eastern Europe, Mongolia, Afghanistan--their imperial writ can run. But elsewhere the forces of nationalism that tear the Third World also tear Soviet imperial designs.

Nationalist hatreds have been a powerful engine of conflict and instability in the Third World, and a scourge for its inhabitants. These hatreds also fuel Thrid World anti-westernism and anti-Americanism. However, such hatreds vastly simplify the American strategic problem by rendering Third world empires far harder for anyone--including the Soviet Union--to establish. Since a sovereign Third World is America's fundamental security aim, these nationalist hatreds are on balance a major plus for the United States, and provide a further reason why the focus of American security policy belongs on Europe.

IV: CONCLUSION

Two points of conclusion can be offered. First, American strategy in Europe is working, and needs no drastic repairs. We have chosen correct policies, and we should adhere to them, with occasional minor adjustments. The major surgery suggested by NATO commitment critics is unnessary, and might be dangerous.

Second, we face no rising threats in the Third World, and we need direct no new resources toward that area. Indeed, we could safely devote less resources toward Third World military missions.

Why Europe Should Remain the Focus of American Strategy: A Geopolitical Assessment

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Harvard University
Sept. 29, 1985

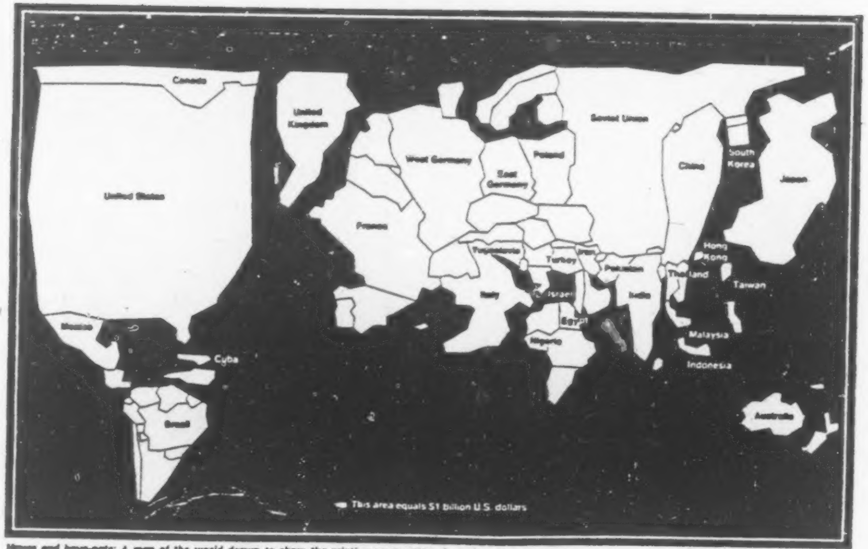
Stephen Van Evera Harvard University

SHARES OF GROSS WORLD PRODUCT (GWP), 1980 and 1960-65

	1980:	1960-65:
WESTERN INDUSTRIAL		
United States:	22%	33%
NATO Europe:	27%	24%
Neutral Europe:	4%	3%
Total Europe:	31%	27%
Japan:	9%	4%
China:	3%	4%
Total major East Asia:	12%	8%
Other industrial (Canada, Australia, N.Z.):	3%	3%
WARSAW PACT		
Soviet Union:	10%	15%
Other Warsaw Pact states:	4%	4%
Warsaw Pact total:	14%	19%
THIRD WORLD		
Latin America:	7%	
Africa:	3%	
Middle East:	3%	
South Asia:	2%	
East Asia:	3%	
Third World total:	15%	
WORLD TOTAL	100%	100%
LARGEST NATIONAL ECONOMIES		
United States:	22%	33%
Soviet Union:	10%	15%
Japan:	9%	4%
West Germany:	7%	5%
France:	6%	4%
Britain:	4%	5%
Italy:	3%	3%
China:	3%	4%
Canada:	2%	2%
Brazil:	2%	1%
Spain:	2%	1%
Mexico:	2%	1%
Netherlands:	1%	1%

Sources: Ruth Leger Sivard, *World Social and Military Expenditures, 1983* (Leesburg, Va.: World Priorities, 1983); and Charles Lewis Taylor and Michael C. Hudson, *World Handbook of Political and Social Indicators* 2nd ed. (New Haven: Yale, 1972).

From The New York Times Magazine, 11/7/76 p. 35


Canada
United States
Mexico
Cuba
Brazil
United Kingdom
France
West Germany
East Germany
Poland
Soviet Union
Yugoslavia
Italy
Turkey
Iran
Israel
Egypt
Nigeria
Pakistan
India
China
South Korea
Japan
Hong Kong
Thailand
Taiwan
Malaysia
Indonesia
Australia
This area equals $1 billion U.S. dollars

Haves and have-nots: A map of the world drawn to show the relative gross national product of each country.

Based on a design by Edwin O. Reischauer

In recent years a number of voices have criticized the U.S. commitment to Europe, urging that the U.S. commitment be scaled back, or terminated.[1] Some critics seek withdrawals in order to strengthen NATO, suggesting that Europe will do more to defend herself, and internal NATO friction will be lessened, if the United States scales back its involvement; others seek to remove all American troops from Europe, to terminate the alliance, and to remain neutral in any future European war. Some critics would withdraw from Europe while extending American commitments elsewhere, either by taking on an offensive mission against Soviet flanks (e.g. Soviet arctic and Pacific naval bases), or by redirecting American power toward Third World intervention; others would curtail American involvement in Europe and elsewhere, as part of a general American retrenchment. Thus while some would strengthen NATO, others would dismantle it, and while some seek better ways to pursue containment, others would abandon it. All, however, propose major reductions in the current American commitment to Europe.

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[1] Examples include: Jeffrey Record, "Beyond NATO: New Military Directions for the United States," in Jeffey Record and Robert J. Hanks, U.S. Strategy at the Crossroads: Two Views (Cambridge, Mass.: Institute for Foreign Policy Analysis, 1982), pp. 1-36; Irving Kristol, "What's Wrong With NATO?" The New York Times Magazine, (September 25, 1983), pp. 64-71; Christopher Layne, "Ending the Alliance," Journal of Contemporary Studies (Vol. 6, No. 3 (Summer 1983), pp. 5-31; Elliot Cohen, "The Long-Term Crisis of the the Alliance," Foreign Affairs Vol. 61, No. 2 (Winter 1982/83), pp. 325-343; Earl C. Ravenal, "The Case for A Withdrawal Of Our Forces," The New York Times Magazine (March 6, 1983), pp. 58-75; Ronald Steel, "Ending the American Protectorate of Europe," Harper's Vol. 256, No. 1566 (July 1982), pp. 10-14; senator Gary Hart, "Getting Out Of Europe," in Thomas Frank, ed., The Tethered Presidency; Henry Kissinger, TIME magazine, March 5, 1984; and Lawrence Beilenson, Survival and Peace in the Nuclear Age (Chicago: Regnery/Gateway, 1980). Related essays are in Robert W. Tucker and Linda Wrigley, eds., The Atlantic Alliance and Its Critics (New York: Praeger, 1985), while a discussion of some of the issues raised by this literature is Keith A. Dunn and William O. Staudenmaier, Strategic Implications of the Continental-Maritime Debate (New York: Praeger Publishers, 1984).

These critics have identified genuine problems and dilemmas in America's European policy. On balance, however, none makes out a case for the withdrawal they recommend. The European policy they criticize is both successful and essential, while the changes they suggest would harm American security and raise the risk of war.

This paper explores the original rationale for the American commitment to Europe, and the reasons why that commitment must be maintained. The following section outlines the geopolitical logic that underlay containment at its origin. Sections II and III assess the principal arguments that have been advanced for curtailing the American commitment to Europe, and for expanding American commitments in other areas.

I: THE GEOPOLITICAL FOUNDATIONS OF THE AMERICA'S EUROPEAN COMMITMENT

The American commitment to Europe after World War II was driven by the same object that earlier drew the U.S. into the war: namely, the need to preserve the political division of industrial Eurasia. American policymakers noted that if any single state conquered the Eurasian landmass, it would control more industrial power than the United States. It could therefore distill greater military power from its national economy, and might threaten the U.S., even across the wide space of the Atlantic. At best the United States would then require a vastly larger permanent defense effort, while at worst its sovereignty would be jeopardized. The same concern had drawn the United States to fight Germany in 1917 and 1941, and had earlier drawn Britain, from a parallel standpoint, to contain Napoleonic and Czarist Russian expansion.

The principal architects and defenders of containment--George Kennan, Walter Lippmann, Hans Morgenthau--were motivated chiefly by these concerns, as were other members of the policy community.[2] Kennan summarized his own thinking in these terms: [3]

> It (is) essential to us, as it was to Britain, that no single Continental land power should come to dominate the entire Eurasian land mass. Our interest has lain rather in the maintenance of some sort of stable balance among the powers of the interior, in order that none of them should effect the subjugation of the others, conquer the seafaring fringes of the land mass, become a great sea power as well as land power, shatter the position of England, and enter--as in these circumstances it certainly would--on an overseas expansion hostile to ourselves and supported by the immense resources of the interior of Europe and Asia.

Kennan saw only five regions of industrial importance: the Soviet Union, the Rhine valley, Great Britain, Japan, and the

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[2] See John Lewis Gaddis, Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy (New York: Oxford University Press, 1982), pp. 25-88; and Melvyn P. Leffler, "The American Conception of National Security and the Beginnings of the Cold War," American Historical Review, Vol. 89. No. 2 (April 1984), pp. 346-81, especially pp. 355-8, 370, 374, 377.

[3] George F. Kennan, American Diplomacy 1900-1950 (New York: New American Library, 1951), p. 10.

United States.[4] He therefore advised that American policy should strive to maintain a political division among the other four. In practice this drew the United States inexorably into Western Europe, the only place where two of these regions were simultaneously threatened by a third.

Containment and its attendant European commitment were sold to the American people in the crusading image of a battle between "slave" and "free" worlds. However, the geopolitical logic of containment required that the United States oppose Soviet expansion even if the Soviets had abandoned Communism for democracy. Conversely, the logic of containment did not require a general crusade against leftist forces around the world, unless these forces, unopposed, would bring a Soviet Eurasian hegemony nearer. Containment logic suggested that leftist movements be opposed if they threatened to capture economic or military assets which could add significantly to Soviet warmaking power, and if they could be expected eventually to turn these assets over to Soviet control. As Kennan and Lippmann often noted, however, indigenous leftist movements in the Third World seldom threatened to seize areas of any industrial importance, and could often be split from the Soviets by "divide and conquer" policies if the West so chose. Rather, they advised, containment should focus on Europe, where the real stakes and the real threat were found.

This geopolitical logic remains essentially valid today. Indeed, viewed in pure economic terms, the geopolitical case for a European commitment is stronger now than forty years ago. In the intervening years the industrial power of Western Europe and of all of Eurasia has risen, (to 30% and 58% of gross world product, respectively), while the American share of gross world product has fallen from postwar highs of 40-50% down to 22% today. The growth of West European economic strength means that Europe is now better able to defend itself than formerly, so a stronger case for greater European military self-reliance can now be made. However, this growth also means that Europe's defense is increasingly crucial to American security, because the conquest of Western Europe would add more substantially to Soviet warmaking capacity. Indeed, a Soviet Eurasian hegemony would now create a Soviet industrial preponderance of 2.6:1 over the United States--substantially larger than the preponderance that a Eurasian hegemon would have enjoyed in 1941 or 1946. It therefore remains true, and is indeed increasingly true, that Western Europe must be defended one way or another.

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[4] George F. Kennan, Memoirs 1925-1950 (Boston: Little, Brown, 1967), p. 359.

II: THE CASE AGAINST THE CASE FOR AMERICAN WITHDRAWAL FROM EUROPE

Advocacies of American withdrawal from Europe can be classed in three basic varieties: those claiming that an American commitment is infeasible at reasonable cost, and should therefore be curtailed or abandoned;[5] those suggesting that withdrawals will leave NATO stronger by shocking European NATO into greater action, and by diminishing intra-allied friction;[6] and those claiming that the American commitment raises the risk of war for the United States.[7] Let me discuss each in turn.

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[5] Examples include Ravenal, "The Case for Withdrawal"; Record, "Beyond NATO"; and Layne, "Ending the Alliance."

A: "We Can't Defend Europe," and "It Costs Too Much to Defend Europe."

The argument that European defense is infeasible or too costly contains five strands. Some analysts point to the arrival of MAD, and the greater demand that this development places on NATO conventional and theater nuclear forces--which, these analysts claim, cannot provide a high-confidence deterrent. Others claim that growing Soviet conventional power renders conventional defense newly infeasible. Still others point to constraints imposed by growing American economic problems, or to a cultural deterioration that allegedly saps Europe's will to defend herself and renders conventional defense more difficult. Lastly, some would withdraw American forces from Europe to save money, while remaining committed to NATO.

Four points bear mention in reply. First, these arguments are premised on an unduly gloomy view of the current conventional military balance in Europe. Pessimistic assessments of the European conventional balance have long been conventional wisdom in the American defense community, but they are not borne out by analysis. In fact, NATO conventional forces stand a better than even chance of defending successfully today, and NATO can cope with emerging threats with a reasonable effort. Official statistics show the Warsaw Pact with a small advantage--about 1.2:1--in aggregate ground firepower in the central European theater in peacetime. This Pact advantage would expand significantly in the course of a NATO-Pact mobilization race. However, the Pact probably could not sustain the theater-wide firepower superiority that it would require for victory if NATO mobilized in a timely fashion. Moreover, official methods of measuring Pact and NATO firepower may significantly underestimate NATO firepower, so that NATO may actually hold an overall firepower advantage in peacetime, and the Pact may never gain a large lead during a mobilization race.[8] Lastly, in my judgment NATO appears even stronger when air power and allied reliability are factored into the equasion. NATO will win the European air battle, with important effects on the ground battle, and NATO allies are relatively much more reliable than are the Soviets' Eastern European allies.[9]

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[6] Examples include Kristol, "What's Wrong With NATO?"; Cohen, "The Long Term Crisis"; and Layne, "Ending the Alliance."

[7] Examples include Steel, "Ending the American Protectorate," and Beilenson, *Survival and Peace*.

Second, gloomy views of current NATO defense arrangements are unduly dismissive of the deterrent power of NATO nuclear threat.[10] The NATO threat to use nuclear weapons if NATO conventional forces face defeat is real, and Soviet planners must take it seriously. The "tripwire" concept that underlies American posture in Europe is not a mere fantasy: American conventional and theater nuclear forces do constitute a possible "tripwire" to nuclear war. Indeed, in my judgment any great East-West conventional war will have a pronounced propensity to escalate, even against the pre-war wishes of both sides. Those who dismiss NATO nuclear threats discuss NATO decisions to launch nuclear weapons as if they require a rational decision in a calm government office. But wartime escalation may not work this way. Rather, offensive operational plans by both sides will, create or uncover real or imagined pre-emptive vulnerabilities and possibilities that were not recognized in peacetime. Soviet doctrine, which emphasizes the need to pre-empt NATO nuclear forces with nuclear weapons at the first signs of their use, makes nuclear escalation still more likely, and removes the decision to go nuclear further from the rational realm of NATO planning agencies.

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[8] See Barry Posen's important essay, "Measuring the Conventional European Balance: Coping With Complexity in Threat Assessment," International Security Vol. 9, No. 3 (Winter 1984-85), pp. 47-88.

[9] My colleagues Dr. Joshua Epstein and Prof. John Mearsheimer will discuss these questions at greater length. Additionally, each has published landmark essays on the conventional European and Persian Gulf balances which deserve the close attention of this committee. See especially John J. Mearsheimer, "Why the Soviets Can't Win Quickly in Central Europe," International Security VOl. 7, No. 1 (Summer 1982), pp. 3-39; and Joshua Epstein, "Soviet Vulnerabilities in Iran and the RDF Deterrent," International Security Vol. 6, No. 2 (Fall 1981), pp. 126-58.

Therefore, those who dismiss the NATO nuclear threat as a bluff not only encourage Soviet adventurism, but also underestimate the real threat that NATO nuclear forces pose.

Third, the basic logic of withdrawal advocates is faulty: even if the conventional European balance were dreadful, and the

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[10] See, for instance, Kristol, "What's Wrong With NATO?", pp. pp, suggesting that the American nuclear umbrella is "99 percent bluff."

NATO nuclear threat impotent, and American resources severely strained by our European commitment, this would not make out a case for withdrawal from Europe. Rather, it would argue for a greater American commitment. The logic of the "solvency" axiom--that American commitments should be brought into line with American resources by scaling back commitments--is essentially backwards.[11] If the United States had a superabundance of resources we could affort to commit heavily to Europe, but we also could afford not to do so, since a Eurasian hegemony then would not pose much of a threat to us. As the American share of world resources has shrunk it has become harder for us to shape the conventional balance in Europe, but it has also become more important that we do so, since our security is more directly jeopardized if Europe is overrun. The fact that the American share of gross world product diminishes makes the defense of Europe both more difficult and more essential for the United States.

Moreover, the United States obviously has the raw resources to defend Western Europe. Images of an American economy destroyed by the costs of the European commitment[12] are considerably overdrawn. Excessive defense spending certainly drains the American economy, but this is no excuse for allowing

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11. The concept of "solvency" is from Walter Lippmann, U.S. Foreign Policy: Shield of the Republic (Boston: Little, Brown, 1943), who speaks of the need to bring commitments and power into balance, and the "insolvent foreign relations" that otherwise results. (p. 10.)

12. See, for instance, Ravenal, "A Case For Withdrawal," p. 75, suggesting that pursuit of containment will "wreck our economy and warp our society."

Western defenses to weaken. The United States alone has greater industrial power than does the entire Warsaw Pact, and therefore obviously has the resources needed to defend vital American interests against Pact attack. The only question concerns the proper strategy for NATO to adopt, and how the burdens of European defense should be distributed within the alliance.

Fourthly, it bears mention that the withdrawal of American forces from Europe will increase the cost of commitment unless we also decide not to deploy troops in Europe in event of war. Analysts who suggest that the U.S. can save money by withdrawing forces even while maintaining the European commitment are wrong on the facts. Once withdrawn, U.S. ground forces would require costly additional airlift plus POMCUS stocks, or sealift plus sea control, to return them to Europe in event of war.[13] It is in fact cheaper to leave the forces in place in Europe, if the U.S. undertakes a commitment to use them there.

B: "We should pull out of Europe to get Europe to do more!"

Some analyst suggest that American withdrawal can actually strengthen NATO, even as it lightens the American defense burden. In this view the distribution of burden shares within NATO is unfair today, because Europe insists on "free riding" on an America willing to bear t . chief costs. If the U.S. does less, Europe will eventually pick up the slack, and intra-allied

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13. See Caspar Weinberger, Annual Report to the Congress, Fiscal Year 1984 (Washington: U.S. Government Printing Office, 1983), pp. 186-190.

bickering over burden shares will diminish, smoothing allied cooperation. Moreover, in this view, a new division of labor that leaves the defense of Europe to Europe will be more efficient, as homeland defense (of Europe by Europe) is usually less expensive than the defense of distant third areas (e.g. Europe by the United States.) Some analysts also see a therapeutic benefit to the "shock treatment" that an American withdrawal might administer to lethargic, pacifistic European societies,[14] while others believe withdrawal would strengthen the alliance by reducing nagging U.S.-European quarrels over NATO cooperation questions.

The United States does indeed carry a disproportionate share of NATO alliance defense burdens. Since Europe is more directly threatened than is the United States, it seems generous even for the U.S. to accept a principal of equal burdens. However, the current NATO burden falls even more heavily on the U.S. than Europe. In 1982 the United States spent $846 per capita on defense, while the other 14 NATO allies spent $59-$462. The U.S. spent 6.5% of GNP on defense, in contrast with the Federal Republic of Germany (4.1%), Belgium (3.4%), and the Netherlands (3.3%), which key the NATO defense of north central Europe.[15] In short, Uncle Sam is carrying more than an equivalent share of the weight.

Before adopting a solution to the burden shares problem, however, we must first take care to understand its causes.

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[14] Kristol suggests the need for "shock treatment," p. 71.

[15] International Institute for Strategic Studies, The Military Balance, 1984-85 (London: IISS, 1984), pp. 140.

Advocates of a tactical American withdrawal from NATO assume that NATO is merely free riding, Mancur Olson style, on American generosity.[16] However, two other causes also seem important. First, West Europeans believe the Soviets are much less threatening than do Americans. They do less because they believe there is less to be done. American and European policies could be brought more closely into line by bringing their perceptions of the facts about the Soviet threat more closely into line.

Second, West Europeans disagree with the American strategic concepts for the prosecution of containment. Specifically, Western Europe prefers a Kennan/Lippmann/Morgenthau variety of containment which would defend industrially important areas from direct Soviet military expansion, but would eschew a global crusade against the indigenous Third World left. This is not merely because Europe qualifies for NATO help under these criteria, but also because Europeans have less phobia about Marxism than do America, given the large presence of Marxist parties and ideas in West European societies; and because the European colonial experience gives Europe a different view of the significance and feasibility of Third World colonialism and expansionism by East or West. Western Europe also prefers a more defensive military strategy than does the United States, and views the offensive ideas emanating from the Reagan administration with a jaundiced eye.

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[16] Suggesting a "free rider" dynamic in alliances in which the smaller allies exploit the larger are Mancur Olson, Jr. and Richard Zeckhauser, "An Economic Theory of Alliances," in Francis A. Beer, ed., Alliances (New York: Holt, Rinehart and Winston, 1970), pp. 120-42.

Much of the gap between the American and West European defense efforts reflects these differences: Extra American spending on strategic nuclear counterforce systems, a 15-carrier Navy for offensive power projection against Soviet onshore bases, and Third World intervention forces account for a good chunk of the European-American spending differential. In short, Europe spends less because Europe spends differently, on a narrower range of missions that reflect a different (and less demanding) strategic theory of containment. Once again, if American and European strategies were more closely in line, NATO burden shares would be more equitably distributed--either Europe would spend more, or the United States would spend less.

This suggests that the burden shares dispute can be more easily narrowed by dialogue than by coercion. Before clobbering Europe with a punitive withdrawal, Americans should communicate to Europe the basis for American strategic choices, and for American estimates of the Soviet threat. Americans should also consider the possibility that European counter-arguments have some merit. In my own opinion Europe is largely wrong about the Soviet threat--Europeans generally underestimate Soviet aggressiveness (if not Soviet power)--but is correct about grand strategy. NATO as a whole would be better off if, instead of quarrelling over burden shares, the U.S. adopted the European strategic view, and restructured American military forces accordingly.[17]

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[17] This argument is extended in Barry R. Posen and Stephen Van Evera, "D-fense Policy and the Reagan Administration: Departure from Containment," International Security Vol. 8, No. 1 (Summer

Before adopting a punitive withdrawal Americans should also recognize the damage that such an action would inflict on NATO conventional defenses. A withdrawal undertaken to shock NATO into greater self-defense would have drastic consequences if Europe failed to take up the slack--and beyond a point Europe simply cannot do so. American ground forces are, with the Germans, best trained and equipped of the NATO central front ground forces. American formations supply some 28% of total peacetime NATO ground firepower in the central theater, while reinforced American formations will supply 37% of total NATO firepower following a 60-day mobilization, near the time of greatest Warsaw Pact advantage during a parallel East-West mobilization race.[18] Of NATOs 3000 tactical aircraft in Europe, 500 are American, and are among the best NATO planes. The American tactical air contribution would rise to 2500 of a total NATO force of 5500 after mobilization.[19] An unreplaced withdrawal of these forces obviously would administer a severe shock to the military balance. A total withdrawal would, moreover, remove the nuclear "tripwire," and thus represent a substantial removal of the nuclear threat. A Soviet "clever briefer" will find it much easier to explain how Europe can be conquered conventionally

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1983)), pp. 3-45.

18. Andrew Hamilton, "Redressing the Conventional Balance: NATO's Reserve Military Manpower," International Security Vol. 10, No. 1 (Summer 1985), p. 116 (using Hamilton's "Heavy Division Equivalent" scores.)

19. Harold Brown, Defense Department Annual Report, Fiscal Year 1982 (Washington, D.C.: Department of Defense, 1981), p. 72.

after American forces are gone, and there is no way that Europeans can replace this loss.

The principal burden for the defense of Europe should indeed fall on Europe, and such an arrangement is indeed the more efficient division of international labor. However, Europe already does carry the chief burden in its own theater, and a unilateral reduction in the U.S. burden would both weaken NATO conventional defenses and undermine NATO's nuclear threat. This is a steep price to pay for an adjustment in burden shares, and the United States should seek other solutions first.

C: "The European Commitment will get us into war!"

Some dovish withdrawal advocates would terminate the American commitment because they believe that it raises the risk of war for America. In this view American forces in Europe are less likely to deter war than to serve their tripwire function after failing to deter, sucking the U.S. into a nuclear conflict.

The validity of this argument depends on American policy: America can choose to defend Europe in war-causing or war-preventing fashion. If the United States adopts war-causing methods, then we would indeed probably be better off to leave Europe. But if our methods are peace-causing, as they have been, then our European commitment protects us from war as well as from insecurity.

History warns that the U.S. does not easily avoid great

European wars: we have become involved in each of the last three. Whether wisely or foolishly we could well become involved in the next, by processes paralleling our involvement in those of the past, or perhaps by a concatonation of events that we cannot foresee in peacetime. We therefore have a paramount interest in preserving peace in Europe, and we help to protect ourselves from war if we achieve this aim.

History further warns that in the past we got into great European wars by staying out of Europe--not by being in. Both World Wars could have probably been prevented had the Germans and Japanese on both occasions recognized that they would eventually face the full weight of American power if they pursued their imperial plans. British history teaches the same lesson: Had Britain been more forcefully involved on the continent in 1914 and in the 1930's, especially in ways more visible to the aggressors, those wars might have been prevented.

At the same time a bellicose and offense-minded American strategy for defending Europe could bring war closer, rather than deterring it. The question hinges on the distinction between defense and offense: outside powers can pacify warlike regions if their intrusion makes aggression difficult for regional states, but such powers raise the risk of war if their intrusions create local offensive threats and opportunities. A defense-enhancing policy strengthens peace by easing the security dilemma--all states are relieved from the need to aggress to be safe--and by deterring aggressors with insurmountable opposition. But an offense-enhancing policy can cause war by prodding local powers into defensive bellicosity.

For the United States, then, the key to defending Europe in a peace-causing way lies in adopting a military strategy that defends effectively, but does so with a minimum of offense. Current American defense arrangements--the "flexible response" NATO strategy--essentially matches this description, being both defensive and effective. However, changes proposed by the Reagan administration--the 15 carrier fleet and its accompanying "maritime strategy" concept of striking at Soviet fleet home bases, the Follow On Forces Attack (FOFA) and Airland Battle 2000 concepts for continental European war, and the renewed emphasis on strategic nuclear counterforce, begun under Nixon/Ford and Carter but extended under Reagan (and illustrated by the MX, the Trident D5 and the "Star Wars" SDI program)--all represent essentially offensive innovations in NATO strategy.

Advocates of these Reagan programs suggest that an American defense of Europe requires an offensive component, and compare the U.S. circumstance to that of France in 1938: France required an offensive capability against Germany if she hoped to defend the Czechs and Poles against German expansion; the United States, these analysts suggest, is in the same situation vis a vis the Soviet Union and Western Europe--it must pose an offensive threat to the aggressor's vitals to deter successfully.

However, the successful history of flexible response indicates otherwise. Under flexible response NATO has for many years maintained a powerful defensive capability, but little meaningful offensive capability. This strategy has defended Europe and prevented war. No recent developments have undermined its logic or cast doubt on its future success. In short, NATO seems free to stay on its defensive course. Moreover, as long as it does so the American commitment to Europe will lower, rather than raise, the risk of war to America.

III: THE CASE AGAINST THE CASE FOR WIDER INVOLVEMENT IN THE THIRD WORLD

Some advocates of withdrawal premise their case in part on arguments that American interests in the Third World have grown, and are even less well protected than American interests in Europe.[20] Therefore, the argument goes, we should redirect resources from Europe to Third World threats. The Third World threat of greatest concern lies in possible Soviet or indiginous threats to Persian Gulf oil supplies. However, some strategists also worry that the United States is neglecting threats in Central America, Southeast Asia, and elsewhere in the Third World by adopting a European-focused military strategy.

I subscribe to the opposite view, that the United States is too deeply engaged in the Third World already. If anything, American policy should be more focused on Europe, relative to Third World contingencies. American stakes in the Third World are vastly smaller than the stakes in Europe, and they are already well-protected--indeed, over-protected--by current American Third-World oriented forces.

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[20] See, for instance, Record, "Beyond NATO"; and Layne, "Ending the Alliance."

Turning first to the Persian Gulf, the American stakes there are real, but are already adequately protected. American dependence on Persian Gulf oil is quite small today, but our industrial allies are heavily dependent, so America must accept the need to maintain Western access to Persian Gulf oil. However, Western military power is already adequate to the task. The only serious long-term threat to oil supplies would lie in a Soviet seizure of the oilfields. Superficial appearances--Soviet proximity and Western distance from the region--would suggest a Soviet military advantage. However, appearances in this case are deceiving. To attack the Iranian oilfields the Soviets must travel some 850 miles over almost roadless mountains, through dozens of choke points that could be closed by American carrier-based or ground-based air. By the time Soviet forces arrived in southern Iran, best analyses suggest, the United States could have adequate forces in the threater to halt their further movement into the oilfields.[21] In short, current American policies already address this problem.

Elsewhere in the Third World the American stakes are much smaller, and the Soviet threat smaller still. By the principal and best measure of strategic importance--industrial power--the entire Third World ranks very low. All of Latin American produces an aggregate GNP smaller than that of West Germany; all of Africa has an aggregate GNP below that of Italy or Britain. The aggregate GNP of the entire Third World, including the Persian Gulf, is less than half that of Western Europe. Modern military power is produced by industrial power; the Third World has very little industrial power, hence little military potential, and correspondingly little strategic significance.

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[21] See Epstein, "Soviet Vulnerabilities."

Two arguments can be offered to restore the Third World to strategic importance. First, some analysts suggest that while Third World industrial output is low, the Third World produces raw materials on which Western industry depends. Second, some suggest that basing rights in Third World areas can be militarily important, even if industrial output is trivial.

The first of these arguments rests on a mismeasurement of economic dependence, and confuses the scope of North-South trade with Northern dependence upon the South.[22] In reality oil is the only Southern raw material on which the North depends to any degree. The North imports a wide range of other strategic materials, such as chrome, tungsten, and other metal ores, from Third World areas. However, the industrial North could adjust by product substitution, local production, or finding alternative Third World sources if it lost access to any of these minerals from a given country or region. The case of chrome is instructive: the United States imports all of its chrome today, but it produced chrome during World War II from American mines, and could do so again, albeit at higher cost, if an emergency arose.

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[22] On the measurement of dependence and interdependence the classic essay is Kenneth N. Waltz, "The Myth of National Interdependence," in Charles P. Kindleberger, ed., The International Corporation (Cambridge, Mass.: MIT Press, 1970), pp. 205-223.

The second argument, regading basing rights, must be assessed on a case-by-case basis. Such arguments should be evaluated by asking how the loss of Western bases or the appearance of Soviet Third World bases would affect American ability to defend areas of greater intrinsic importance. The case for the importance of Third World bases is seldom made in these terms, so our conclusion must be more indeterminate. However, analysts should recognize that a case for Third World involvement that omits this information is incomplete. For instance, analysts should not assumethat American bases in the Philippines are centrally important until it is demonstrated that American strategy for the defense of Japan or the Persian Gulf depends in some fashion upon them. (I doubt that such a case can in fact be made.)

Lastly, the Soviet threat to the Third World is much less serious than the Soviet threat to Europe. The Soviet war machine is designed principally for land continental warfare. Accordingly, it poses a very real threat to Western Europe, but a much smaller threat to Third World areas. Soviet power-projection capabilities have grown in recent years, but they remain dwarfed by Western capabilities. Soviet airlift assets are much smaller than Western assets, the Soviet amphibious assault forces are a fraction the size of the American, and Soviet ground forces are configured primarily for combat against

Western forces, not Third World guerillas. The Soviets today can move forces globally if they are not opposed, but they cannot project power over any distance against Western opposition.

This is no cause for comfort. It means that the Soviet military effort threatens important regions, while bypassing less important areas. Soviet weaponry avoids our extremities, but aims directly at our vitals. But it does mean that the direct Soviet threat to the Third World is easily managed by current American forces, and the U.S. need not stretch itself thin in Europe to meet wider Soviet military threats elsewhere.

The indirect, or subversive, Soviet threat to the Third World is similarly overblown. Cold War history shows that the Soviet empire does not expand via leftist "proxies," but by the direct imposition of Soviet military power. Where the Soviets can plant the jackboot of their armies--in Eastern Europe, Mongolia, Afghanistan--their imperial writ can run. But elsewhere the forces of nationalism that tear the Third World also tear Soviet imperial designs.

Nationalist hatreds have been a powerful engine of conflict and instability in the Third World, and a scourge for its inhabitants. They also fuel Third World anti-westernism and anti-Americanism. However, these hatreds vastly simplify the American strategic problem by rendering Third world empires far harder for anyone--including the Soviet Union--to establish. Since a sovereign Third World is America's fundamental security aim, these nationalist hatreds are on balance a major plus for the United States, and provide a further reason why the focus of American security policy belongs on Europe.

IV: CONCLUSION

Two points of summary can be offered. First, American strategy in Europe is working, and needs no drastic repairs. We have chosen the correct policies, and all we must do is to adhere to them, within bounds of occasional minor adjustment. The major surgery suggested by NATO commitment critics is unnessary, and might be dangerous.

Second, we face no rising threats in the Third World, and we need direct no new resources toward that area. Indeed, we we could safely devote less resources toward Third World military missions.

STEPHEN VAN EVERA'S RESPONSES TO QUESTIONS ASKED

1. "Is Deterrence Dead? Has the arrival of mutual assured destruction ("MAD") and Soviet superiority in theater nuclear forces (TNF) removed the American nuclear umbrella from Western Europe? What implications follow for NATO strategy?"

The arrival of MAD has partially but not completely removed the American nuclear umbrella from Western Europe. The American nuclear threat was more credible when the United States possessed a splendid first strike capability, as it did from the late 1940s until the late 1950s. However the American nuclear threat remains credible today, because any great East-West conventional war could easily escalate, even against the wishes of both sides. In my judgment this risk of escalation is substantial. Both Soviets and Americans should therefore recognize that the American nuclear umbrella remains a reality. American declaratory policy should remind everyone of this reality, to encourage prudence on all sides.[1]

Americans should also recognize that we have been living with MAD for some twenty years, and Europe has remained free and at peace throughout. It follows that NATO should adhere to the flexible response strategy that produced this success. MAD is nothing new, and new remedies to address problems created by MAD are not called for.

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[1] A "no first use" policy would therefore be a mistake, as it would encourage the illusion of fightable and winnable conventional wars in Europe.

2. "Conventional versus Nuclear Defense? It is widely recognized that improvements in NATO non-nuclear defenses will be severely constrained over the next decade. Under these circumstances, which approach should the West emphasize?"

NATO can and should prepare to defend Europe conventionally against conventional Soviet attack. Current NATO forces can probably defend conventionally today, if NATO mobilizes promptly on receiving warning. NATO also can maintain an adequate conventional capability in the future if it makes a reasonable effort. NATO does not need to move to a doctrine of nuclear reliance, although NATO should keep nuclear weapons in the picture, as it does today.

3. "The conventional balance: Has the conventional balance in Europe been analyzed in a balanced, intelligent fashion?"

Public discussions of military balances in the United States are generally conducted at a very primitive level. Military capabilities should be measured by dynamic analyses that reveal the outcome if forces fight one another under plausible conditions and scenarios. Yet dynamic analyses of this kind are almost never supplied by official publications from the Defense Department, nor by other government agencies such as the Congressional Research Service, nor by civilian scholars outside the government. Instead it is customary to substitute misleading "bean counts" of types or numbers of weapons systems or military formations. These "bean counts" are often selected to make the United States look strong or weak, depending on the political biases of the analyst. The essays by Barry Posen, John Mearsheimer, and Joshua Epstein cited in my statement, which do provide dynamic analysis, are rare exceptions to this rule.

The lack of high-quality net assessment has had important deleterious consequences. For instance, I believe that the entire Reagan administration military buildup has far exceeded necessity, and has disregarded some real American military needs, partly because Americans did not take careful stock of American military strengths and weaknesses before the buildup was launched. In fact American military forces were much stronger in 1981 than was generally believed, and their weaknesses lay in unrecognized areas (for instance, in strategic command and control.)

The Congress might have cured some of this confusion had it conducted a full-scale inquiry into American military capabilities before approving the Reagan buildup. It is unfortunate that this was not done. I recommend that the Congress conduct such inquiries in the future when major defense decisions are to be made.

I further recommend that the Congress consider establishing a Congressional office of net assessment to provide the Congress with regular estimates of the ability of American forces to execute their principal roles and missions. Such missions should include: (1) Strategic nuclear countervalue second strike; (2) strategic nuclear counterforce first strike; (3) strategic nuclear counterforce second strike; (4) the conventional defense of Western Europe; (4) the conventional defense of the Persian Gulf oilfields; (5) the conventional defense of (a) South Korea and (b) Japan; (6) conventional offensive capabilities (a) in Europe, and (b) against the Soviet flanks, such as Murmansk or East Asian Soviet bases; (7) theater nuclear missions in Europe--including (a) the defense of Western Europe by tactical nuclear methods, and (b) the deterrence of war by providing a "tripwire" to strategic war; (8) Third World invervention. A thorough net assessment would measure American capacity to execute these missions, with specified levels of confidence, under a range of plausible scenarios--e.g. singly or serially, with varying degrees of allied help, at various levels of mobilization. A unit to provide such assessments might be created in the Congressional Budget Office, which already performs competent and useful military analysis.

Net assessment is a very political exercise, and Congressional net assessment would inevitably be politicized unless great vigilance were exercised to maintain its integrity. Nevertheless I think the Congress should consider ways to acquire its own independent expertise in this area.

4. "Priorities: Do our defense spending priorities reflect our foreign policy priorities?"

Our principal foreign policy interests lie in the defense of industrially important regions against Soviet military expansion. This calls for Soviet-focused, defensively-oriented military forces and strategy that emphasize the protection of Western Europe, the Persian Gulf, and Japan.

Instead, American military forces and strategy have taken on an increasingly global, offensive shape and direction. The Reagan administration in particular has emphasized conventional and nuclear offensive strategies against the Soviet Union, and invested heavily in forces optimized for intervention against Third World insurgencies. The Nixon-Ford and Carter administrations pursued similar policies, although to a lesser degree.

Reagan administration foreign policy rhetoric, if not action, has also assumed an offensive, interventionist cast, so an offensive, global military orientation may match Reagan foreign policies. If so, however, both American foreign and defense policies have departed wastefully and dangerously from the original logic of containment, and both should be reconsidered.

5. "The SDI's Impact on NATO: At what point in the development of SDI will NATO be required to develop a new strategy to accommodate the consequences of the SDI?"

Current NATO defense arrangements will probably suffer some damage if the United States develops strategic defenses.

American strategic defenses will not somehow "uncouple" the United States from Europe, as anti-SDI Europeans sometimes allege. (If anything, American defenses will have the opposite effect.) However, the deterrent value of the French and British nuclear forces may be diminished if the Soviets also deploy strategic defenses, as they probably will once treaty restraints on strategic defenses are removed. These British and French nuclear forces make an important contribution to NATO defenses, so NATO will suffer a setback if the Soviet defense proves effective against them.

The SDI also may do some political damage to the alliance. The SDI is an essentially offensive program, and it therefore arouses the anti-offense reflexes of the (relatively few) strategically sophisticated Europeans who realize that "offense is defense, defense is offense" in the nuclear age, and who thus recognize its offensiveness. Perhaps more importantly, the SDI changes the status quo. Any changes in the status quo upset the Europeans, so the SDI creates upset. Nevertheless, I expect that this political damage can be kept within bounds. Large elements of the European elite have already been coaxed into endorsing the SDI by the administration, and I expect that skillful American representations will continue to contain European opposition in the future. Europe is not independent minded on strategic matters, and can be led by Washington relatively easily. Thus the political damage of the SDI to the alliance will be significant but sustainable.

The principal problems with SDI are not NATO-related, however. Beyond its effect on NATO, the SDI program is technically absurd, strategically dangerous and unnecessary, and financially disastrous. Two considerations should be kept in mind in assessing the SDI: (1) Effective defenses simply cannot be built, at any cost, because the inexorable facts of nuclear weapons will frustrate them. Nuclear weapons compress tremendous destructive power into very small, cheap packages that are easily hidden, protected, and delivered. Programs to pre-empt such weapons (like MX) or to defend against them (like SDI) can be defeated by cheaper countermeasures which exploit these nuclear weapons characteristics. (2) Even if strategic defenses were feasible the United States would be better off without them. By moving the world toward an exit from MAD, strategic defenses would substantially raise the risk of pre-emptive or preventive war. Indeed, any exit from MAD would involve enormous risks, and we will tempt fate if we ever seriously attempt such an exit--as we would by developing capable strategic defenses.

Overall, the SDI is the single most ill-conceived strategic initiative in the history of American strategic weapons programs. The Congress should halt the SDI program as soon as possible, because the SDI will damage NATO, and because it will fail to advance other American interests.

6. "Arms Control and NATO: Can arms control still play a role in enhancing Western security?"

Arms control has a modest role to play in enhancing Western security. The 1972 ABM treaty has served an imporant function, and the SALT I and SALT II limits on offensive forces have also left the West better off.

However, public Western discussions of security affairs generally devote disproportionate attention to arms control matters. At best, arms control can improve matters on the margin, and other issues deserve relatively more attention. We should not expect or demand too much from the arms control process.

Moreover, we should recognize that nothing can be achieved in arms control when either the Soviet Union or the United States refuses to pursue arms control seriously. In my judgment neither side has pursued arms control seriously over the past five years. This is why the various arms control talks have reached stalemate. Furthermore, I see no reason to expect more arms agreements in the future. The two sides may reach cosmetic agreements to placate foreign and domestic audiences. However, both sides adhere to offensive military doctrines that collide directly with arms control, since an offensive doctrine can only be maintained in an arms control context if the terms of agreement leave the opponent vulnerable to conquest. These are not easy terms to obtain--and therein lies the key to the deep hostility to arms control within both the American and the Soviet defense establishments, which both favor offensive approaches to warfare. No serious arms control will be achieved as long as these offensive ideas hold sway on either side.

7. "NATO's greatest threats--where do they lie? On the Northern flank, the inner-German border, or on the Southern flank?"

The chief threat to NATO lies in central Europe, where large offensively-oriented Soviet forces are aimed at the industrial heart of Europe. The threat to NATO's flanks is much less serious in strategic terms, with the Northern flank being threatened more seriously than the Southern.

8. "British and French Nuclear Forces: How should these forces be treated in the formulation of American arms control policies and positions?"

The French and British nuclear forces make a major contribution to the defense of Europe, and NATO should seek a compromise on the counting of the British and French nuclear forces that recognizes and preserves this important contribution.

Senator PRESSLER. Thank you very much.

Mr. Mearsheimer, we look forward to hearing from you. If you would summarize, we will put your entire statement in the record.

We are going to have a vote on the Senate floor shortly, I am told, so I am going to have to move things along.

STATEMENT OF JOHN J. MEARSHEIMER, ASSOCIATE PROFESSOR OF POLITICAL SCIENCE, THE UNIVERSITY OF CHICAGO, CHICAGO, IL

Mr. MEARSHEIMER. Thank you. I will follow the precedent and do that. I will even be more brief than Dr. Epstein and Van Evera were, simply because they said much with which I agree.

Senator PRESSLER. Thank you, but we do want to hear from you.

Mr. MEARSHEIMER. What I want to talk about is a relatively narrow subject, and that is the adequacy of NATO's deterrent posture today.

I think that you are going to talk about what NATO should look like in the 1990's, you should have some sense of where we stand today. If you are going to make some sort of assessment of where we are going, you have to figure out in your own mind where we stand.

I think the conventional wisdom concerning the adequacy of NATO's deterrent posture is that it is not very formidable and in many important respects it is very deficient. That deterrent posture, of course, is comprised of a conventional and a nuclear element. Regarding the conventional element, I think the received wisdom is that the Soviets could quickly overrun Western Europe. Our conventional forces, so the argument goes, are very weak, simply not adequate.

The conventional wisdom at the nuclear level these days, or at least the growing consensus, is that nuclear weapons have little deterrent values. The basic assumption on which this assertion is made is that no rational, Western decisionmaker would use nuclear weapons to defend Europe. The threat to use nuclear weapons first is no longer credible.

So, when you marry this very weak conventional force with this inability to turn to nuclear weapons in a crisis, you see that we are in really bad shape.

I think that the conventional wisdom is wrong. We have very formidable conventional forces, and the nuclear deterrent is extremely formidable. When you marry those two considerations together, you see that we are in very good shape today.

I am not going to say anything about the conventional balance except to identify myself with the remarks that Dr. Epstein made on the subject. Let me just say a word or two about the nuclear deterrent.

First of all, it is not necessary for deterrence to obtain for the threat of nuclear use to be very high. The deterrent value of nuclear weapons is a function of the probability of use as well as the costs and the consequences associated with using those weapons.

The consequences of using nuclear weapons are so horrible that it is not necessary for deterrence purposes for the probability of use to be very high.

I agree with people who argue that the probability of using nuclear weapons to defend Europe is not very high. But that is beside the point because it is not important for the probability of use to be very high. It is just important that there be some reasonable chance that these terrible weapons will be used in a crisis.

I think that there are good reasons to believe that in a crisis nuclear weapons might very well be used. Let me mention two.

First of all, the consequences of losing Europe to the Soviet Union would be tremendous to the United States. Dr. Van Evera has laid out all the arguments regarding this very important point.

Is it unreasonable to assume that American policymakers, when confronted with the possible loss of Western Europe, might turn to nuclear weapons? I think not.

The second point I would make on the subject of nuclear weapons is that one talks most of the time about purposeful use of nuclear weapons. The fact of the matter is that nuclear weapons might very well be inadvertently used in a conventional war in Europe. We have never had a conventional war where both sides were armed with thousands of nuclear weapons. Therefore, it is very difficult to determine exactly what is going to happen when NATO's and the Warsaw Pact's armies confront each other. It is possible that there could be inadvertent escalation.

Again, as long as that possibility exists, I think the deterrent value of these weapons is very great.

Let me make one general point to support my claim that the deterrent posture in Europe is a very formidable one.

If you listen to critics of NATO's deterrent posture talk about that posture and the threat that we face in Europe, you find a very interesting situation. On the one hand, most of those who belittle our deterrent posture claim that the Soviets are very aggressive and that their intentions are basically malign. My question is: If the Soviets have aggressive intentions and at the same time NATO has a very weak deterrent posture, why is it that we have had peace in Europe for 40 years and why is it that almost all analysts say that they find it impossible to conceive of a scenario in which war would break out in Europe in the immediate future?

Given this assumption regarding the aggressive intentions of the Soviet Union and the fact that she has not moved against NATO, and has given no indication that she will in the forseeable future, one can only deduce that we have a very formidable deterrent posture. If we did not, the Soviets would be making certain moves on Western Europe, and there is no indication that they are going to do that.

Let me make three final points and then we can go to questions.

First, because I present myself essentially as a defender of the status quo does not mean I am against making any improvements in NATO's deterrent posture, either at the conventional level or at the nuclear level. I think that there is much room for change, and I think that some change is certainly welcome.

Second, the conventional wisdom is not only that NATO is in bad shape today, but that it is going to improve its deterrent posture over the next 20 years. Basically, most people are talking about improving the conventional deterrent and thus raising the nuclear threshold.

I would argue that we are not going to improve the conventional deterrent and that in 1995, NATO will in all likelihood rely more heavily on nuclear weapons than it does today.

I think there are a variety of reasons for this. Although the central reason is the German demographic problem.

Let me give you some figures to back up this assertion.

The German Bundeswehr is comprised of 495,000 individuals. To maintain that force, you need to draft 225,000 conscripts every year. In 1982, there were 290,000 conscripts available. So you had 290,000 persons available for those 225,000 slots. Thus, you did not have to draft everybody.

As a result of the German demographic problem, in 1994, you will have, under the present conscription system, 140,000 eligible individuals bodies to fill those 225,000 slots.

I have talked to numerous people in Germany about the prospects of maintaining a 495,000-person Bundeswehr into the mid-1990's, and the most optimistic of them argue that you will be lucky if you can keep that figure in the low 400,000's. It is very unlikely that you will be able to maintain a Bundeswehr that numbers 495,000.

I would point out that the Bundeswehr comprises approximately 50 percent of the ground forces on the central front.

As you well know, there is very little likelihood that the United States or the British will make up for those decreasing German numbers.

In short, I think the argument that NATO's conventional deterrent is going to improve and that we are going to raise the nuclear threshold is simply wrong. We are going to rely more on nuclear weapons over the long run.

My third general point is about why I think it is very dangerous for representatives of the NATO establishment, so to speak, to denigrade our deterrent posture in Europe.

There are basically four reasons.

First, I think it makes absolutely no sense for deterrence purposes to tell the Soviets that if they attack in Western Europe, they are going to win a quick and decisive victory. If a crisis comes, the last thing we want the Soviets to think is that they can beat us easily on the battlefield. However, that is the message that many representatives of our Government and past governments have been sending to the Soviets for a long time.

The second point I would make has to do with what I call the cult of defeatism. What is going to happen when those American soldiers, who have been indoctrinated for years into believing that they stand no chance of thwarting a Soviet attack, actually meet the Soviets on the battlefield? I think it is likely, or I think it is possible—let me put it that way—I think it is very possible that those soldiers may, in effect, not fight very well because they have been led to believe that they do not stand a chance of thwarting the Soviets.

The third point I would make is that I think it undermines public support for increased defense spending when you tell people that we are hopelessly outnumbered. If we are hopelessly outnumbered in Europe, what is the point of spending any more money to rectify a situation that is basically not rectifiable?

If the conventional balance is hopeless, as so many argue, you are simply not going to get the public to increase spending from 2 to 4 percent, or from 3 to 5 percent. It makes much more sense to tell the public that we are in reasonably good shape, we have certain deficiencies, but, nevertheless, we have to spend money to rectify those deficiencies.

The final point I would make has to do with nuclear weapons and the the often-heard argument that these weapons will never be used to defend Europe and, therefore, the Soviets and the United States can take it as a given that a war in Europe will remain conventional.

I think this is very dangerous.

We simply do not know whether or not nuclear weapons would be used should a conventional war break out in Europe. As I said earlier, we have never experienced a massive conventional war where both sides were armed to the teeth with nuclear weapons, and we really do not have a firm grip on what is going to happen.

It makes no sense for deterrence purposes to tell the adversory that nuclear weapons will not be used. Furthermore, it puts us in a situation where we have a false sense of confidence and they have a false sense of confidence about the likelihood of avoiding a nuclear war. I think it is very foolish to create that sort of situation.

We want both sides to recognize that if a major war breaks out in Europe, there is always a good possibility that nuclear weapons will be used.

Thank you.

[Mr. Mearsheimer's prepared statement, along with responses to questions asked, follows:]

NATO´S DETERRENT POSTURE

Statement Prepared For
Senate Foreign Relations Committee
3 October 1985

John J. Mearsheimer
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Political Science Department
University of Chicago

For a more detailed discussion of the views presented here, see: John J. Mearsheimer, *Conventional Deterrence* (Ithaca: Cornell University Press, 1983); John J. Mearsheimer, "Why the Soviets Can´t Win Quickly in Central Europe," *International Security*, Vol. 7, No. 1 (Summer 1982), pp. 3-39; John J. Mearsheimer, "Maneuver, Mobile Defense and the NATO Central Front," *International Security*, Vol. 6, No. 3 (Winter 1981/82), pp. 104-122; John J. Mearsheimer, "Nuclear Weapons and Deterrence in Europe," *International Security*, Vol. 9, No. 3 (Winter 1984/85), pp. 19-46; and John J. Mearsheimer, "Prospects for Conventional Deterrence in Europe," *The Bulletin of the Atomic Scientists*, Vol. 41, No. 7 (August 1985), pp. 158-162.

NATO'S DETERRENT POSTURE

I. INTRODUCTION

One's view about the policies that NATO should adopt in the decade ahead is shaped, in good part, by one's assessment of the adequacy of NATO's present deterrent posture. There is currently much talk about "change" of one sort or another because of dissatisfaction with the existing force posture. Criticism is directed at both the conventional and nuclear elements of the deterrent. It is widely believed, for example, that NATO's conventional forces could not withstand an attack by the Warsaw Pact armies. Also, it is not unusual to hear both hawks and doves complain about the negligible deterrent value of NATO's nuclear arsenal. The basis of this claim is the belief that decision-makers in the West would not be willing to use nuclear weapons if NATO's conventional defenses were being overrun.

In fact, NATO has a very formidable deterrent posture. Its conventional forces are much more capable than is commonly believed, while the Pact's forces suffer from serious deficiencies that are given little attention in the West. NATO should be able to deny the Soviets a quick and decisive victory and then turn the conflict into a lengthy war of attrition -- in which the Soviets could not be confident of ultimate victory. Moreover, NATO's thousands of nuclear weapons retain and will continue to retain tremendous deterrent value. The Soviets, were they to contemplate a conventional attack against NATO, could never be fully confident that there would not be inadvertent escalation to the nuclear level or that some NATO decision-maker would not purposely use these weapons. The possibility of a Soviet conventional victory leading to either outcome might not be very great, but when dealing with weapons of mass destruction, the probability of use does not have to be very high for deterrence to obtain. In sum, when one considers the risks that the Soviets would face in a conventional conflict against a formidable opponent like NATO, as well as the great risks associated wth the presence of thousands of nuclear weapons, there is good reason to be very confident about NATO's deterrent posture.

II. THE CONVENTIONAL BALANCE

Most assessments of the conventional balance in Europe focus on numerical force balances or what are sometimes referred to as "bean counts." Those who argue that the Warsaw Pact enjoys great superiority in conventional forces invariably focus on such popular indicators as the numbers of tanks, artillery pieces, and raw divisions. In each of these categories, the Pact enjoys somewhere between a 2:1 and 3:1 advantage. There are, however, major problems with using these indicators to assess the raw balance.

Consider threat assessments which focus on the numbers of tanks and artillery pieces in the rival arsenals. First, these "bean counts" rarely take into account qualitative differences in the weaponry of each side, a factor which would undoubtedly favor NATO. Second, and more importantly, wars are fought between fighting units, between rival divisions and rival armies, not simply between weapons. When the Pentagon conducts war games or sand table exercises, for example, it does not allot a certain number of tanks and artillery pieces to each side. Instead, it assigns a certain number of fighting units, be they brigade or division equivalents, to each side. One might say, "fine, but the fact is that NATO is outnumbered by somewhat more than 2:1 when you count divisions on each side." Simply counting numbers of divisions, however, gives a distorted view of the balance, since this measure does not account for the significant differences, both qualitative and quantitative, among each nation's divisions.

There are generally two alternative ways of assessing the balance which come much closer to capturing the state of the raw balance of forces. One is to focus on the manpower on each side, while the other is to count armored division equivalents. When counting soldiers on each side the Pact's advantage shrinks to something less than a 1.2:1 advantage. When counting armored division equivalents, which is the Pentagon's preferred indicator, the Pact's advantage is again about 1.2:1. These figures are clear evidence that NATO is not hopelessly outnumbered.

The discussion so far has focused only on the standing forces in Central Europe. Some pessimistic analysts will concede that NATO is not in bad shape when considering just standing forces. They would argue, however, that NATO's grave weakness is in reinforcement capability. There seems to be a fairly widespread consensus that the Soviets have a formidable reinforcement capability - the vaunted second echelon - that NATO cannot match. Although NATO's reinforcement capability is not as great as the Soviets' in an absolute sense, NATO has the potential to keep the overall ratio of forces very close to the pre-mobilization ratios described above. The notion that the Soviets can rely on some massive second echelon that NATO cannot match is a false one. However, the ratio of forces in any future mobilization will be heavily influenced by the timeliness with which each side starts to mobilize. If NATO begins mobilizing its forces before the Pact does, or simultaneously with the Pact, then the force ratios will remain close to the 1.2:1 ratios which obtained before mobilization. If NATO starts mobilizing a few days after the Pact, then the balance of forces should approach but not exceed a 2:1 ratio in the very early days of mobilization and then fall to a level close to the pre-mobilization ratios. But once the gap in mobilization starting times reaches seven days (in the Pact's favor), NATO begins to face serious problems, problems which become even more pronounced as the mobilization gap widens further. In short, NATO has the resources to match the Soviets, should they attempt to shift the balance of standing forces by bringing reinforcements into Central Europe.

It should be emphasized that there are definite limits to the utility of measuring force levels. After all, even a cursory study of military history would show that it is impossible to explain the outcome of many important military campaigns by simply comparing the number of forces on each side. Nevertheless, it is clear that if one side has an overwhelming advantage in forces, that glaring asymmetry is very likely to lead to a decisive victory. In essence, the larger force will simply overwhelm the smaller one as, for example, the Germans did against the Poles in September 1939. The previous analysis of the balance of forces in Europe indicates that the Soviets do not enjoy such an overwhelming advantage. They do not have the numerical superiority to simply crush NATO. In a conventional war in Europe, whether or not the Soviets prevail will depend on how they employ their forces against NATO's defenses. In other words, success will be a function of strategy, not overwhelming numbers. This is not to deny that the Soviets would be better served with an overall advantage in armored division equivalents of 1.8:1 rather than, say, 1.2:1. But regardless of which ratio obtains, ultimate success will turn on the issue of strategy. More specifically, success will depend on the Soviets' capability to effect a blitzkrieg. In effect, the central question concerning the conventional balance in Europe has two parts: first, how well-suited are the Pact's forces for effecting a blitzkrieg? and second, how well-suited are NATO's forces for thwarting a blitzkrieg?

Although a lengthy discussion of this matter is not appropriate here, a few words are in order. The blitzkrieg is predicated on the assumption that the opponent's army is a large and complex machine, geared to fighting along a well-established defensive line. In that army's rear lies a vulnerable network, comprised of numerous lines of communication along which supplies as well as information move, and key nodal points at which the various lines intersect. Destruction of this central nervous system is tantamount to destruction of the army and is therefore the principal aim of the attacking forces.

Thus, a blitzkrieg is comprised of essentially two operations: the breakthrough battle, where the attacking forces pierce the defender's forward positions, and the deep strategic penetration, where the attacking forces wreak havoc in the defender's rear support network. To accomplish the first task, the attacker concentrates his armored forces at one or two specific points along the defender's front, hoping to achieve an overwhelming force advantage that will allow him to pierce the defender's forward line. Once the breakthrough is accomplished, the attacker seeks to avoid further contact with the defender's main body of forces and instead concentrates on driving as rapidly as possible into the defender's rear, severing lines of communication and destroying key junctures in the defender's command and control network.

The Soviets will surely recognize that NATO is well-positioned to fight the breakthrough battles. First, consider how terrain works to NATO's advantage. The area that encompasses the Central Front is riddled with obstacles which make it very difficult to move large armored formations. There are, in fact, only four places along the Central Front where it is feasible for the Soviets to locate a main axis of advance. Those areas are obviously well-known to NATO. Moreover, even the terrain in those areas is likely to present problems for the attacking forces. Consider, for example, the North German Plain, the most widely discussed location for a main attack. There is significant urban sprawl centered on Hannover, which lies in the middle of this region. This obstacle will undoubtedly work to impede the passage of an attacking Soviet army. In short, NATO will be defending eminently defensible terrain.

Second, consider the deployment of NATO's forces. NATO has located its forces so that they are well-suited to meet an attack in each of the four areas described above. When one looks at the number of units that NATO has available to cover the fronts in each of those four areas, it is clear that NATO has the capability to hold its ground for a significant period of time. In other words, NATO's "force-to-space ratios" are quite favorable. NATO, of course, will have to move forces from other areas along the front as well as its operational reserves to those positions under heavy attack. There is no reason to believe, however, that the forward deployed forces cannot hold their positions long enough to allow for substantial reinforcements to be brought in. Given that the overall balance of forces is only slightly in the Soviets' favor, they will not be able, as some argue, to wear down NATO's forces at the points of main attack. This is especially true when one considers that the attacking forces should suffer greater losses than the defending forces. In sum, there is very good reason to believe that NATO will not allow the Soviets to rip open a hole in its forward defensive positions.

Let us assume, however, that this happens. What are the Soviets' prospects for exploiting this opening and effecting a deep strategic penetration. It should be emphasized here that in such an event NATO will be making every effort to close the rupture in its defensive front and contain the Pact's forces. Thus, it will be imperative for the Pact to exploit its initial success as quickly as possible. The key question is: can the Soviets exploit such opportunities before NATO, which is well-prepared for such an eventuality, shuts the door? In this battle, the crucial determinant will not be how much firepower the Soviets have amassed for the breakthrough; success will be largely the result of highly skilled officers and NCOs making the decisions that will enable the armored spearheads to outrun NATO's defenses. A blitzkrieg depends on split-second timing since opportunity on the battlefield is so fleeting. In short, a blitzkrieg demands a flexible command structure peopled from top to bottom with soldiers capable of exercising initiative in combat situations.

There is substantial evidence that Soviet officers and NCOs are sadly lacking in individual initiative and, furthermore, that the Soviet command structure is very rigid. The Soviets are keenly aware of the need for initiative and flexibility, and they go to great lengths to stress the importance of these qualities in their military journals. These are not, however, attributes which can be willed into existence. Their absence is largely the result of powerful historical forces. Fundamental structural change in Soviet society and the Soviet military would be necessary before there would be any significant increase in flexibility and initiative .

Other deficiencies in the Soviet Army cast doubt on the Soviets' capacity to launch a successful blitzkrieg. For example, the Soviets have significant problems with training.

Overreliance on training aids and simulators is a factor often cited, and there is widespread feeling that the training process does not satisfactorily approximate actual combat conditions. Training is of special importance for the Soviets since their army is comprised largely of conscripts who serve a mere two years. Moreover, since new conscripts are trained in actual combat units, more than half of the troops in the 19 Soviet divisions in East Germany are soldiers with less than two years of experience. At any one time, a significant number of those troops is either untrained or partially trained. It should also be noted that Soviet soldiers are deficient in map reading, a skill which is of much importance for an army attempting to launch a blitzkrieg.

Finally, one must consider the capabilities of the non-Soviet divisions, which comprise approximately half of the Pact's 57 1/3 standing divisions. Although the Soviet divisions will certainly perform the critical tasks in any offensive, the non-Soviet divisions will have to play a role in the operation. Otherwise, the size of the offensive would have to be scaled down significantly. One cannot say with any degree of certainty that the East Europeans would be militarily incapable of performing their assigned task or that they would not commit themselves politically to supporting a Soviet-led offensive. The Soviets, however, would have to give serious consideration to the reliability of the East Europeans. If the Soviets indeed pay such careful attention to the lessons of the Great Patriotic War as is widely claimed, they recall what happened opposite

Stalingrad in 1942 when the Soviets were able to inflict a stunning defeat on the Germans by ripping through those sectors of the front covered by the Rumanians, the Hungarians, and the Italians.

Although the Soviet Army has important deficiencies, it would still be a formidable opponent in a war in Europe; the Soviet Army is not by any means a paper tiger. Neither, however, is it an army which is well prepared to defeat NATO with a blitzkrieg. The shortcomings noted in the foregoing cast extreme doubt on the claim that the Soviets have the capability to launch a blitzkrieg with high confidence of success. The Soviet Army is definitely not a finely tuned instrument capable of overrunning NATO at a moment's notice.

III. NATO'S NUCLEAR DETERRENT

It is not uncommon to hear the argument that nuclear weapons no longer hve much deterrent value because the threat to use them is not credible. Although the probability that NATO would employ nuclear weapons has lessened over the past twenty-five years, claims that NATO has what amounts to a de facto no-first-use policy are greatly exaggerated. The deterrent value of a weapon is a function of the costs and risks of using that weapon as well as the probability that it will be used. Given the consequences of using these horrible weapons, it is not necesary for the likelihood of use to be very high. It is only necessary for there to be some reasonable chance that they will be used. Earl Ravenal has captured the essence of this point with his assertion that "even the whiff of American nuclear retaliation is probably enough to keep the Soviet Union from invading Western Europe."

There are many reasons why the Soviets should expect more than a whiff of possible use. First, there is considerable evidence that many key officials in the Reagan Administration believe that nuclear weapons have at least some military utility. This is not to say that they would be anxious to use them in a crisis, but only to point out that it would not be unthinkable for them to turn to nuclear weapons if NATO's conventional forces failed to contain a Soviet offensive. Second, the United States has devoted considerable resources to develop the capability to use its strategic nuclear forces for defending Europe. Each American administration since the beginning of the Cold War has paid serious attention to the concept of extended deterrence. Third, NATO has contingency plans for using its theater nuclear weapons, and these plans enjoy support among NATO military planners, who do not regard them as mere pro forma preparations. Some analysts dismiss the importance of such plans by arguing that NATO would not in fact resort to its nuclear weapons because doing so would not give NATO any tactical advantage on the battlefield, and would be tantamount to suicide. These analysts usually assume that NATO plans to seek a victory on the battlefield by using nuclear weapons to destroy enemy front-line units, much as artillery and tactical aircraft were employed in World War II. NATO planners, however, do not envision using nuclear weapons to achieve victory on the battlefield. Instead, they would use nuclear weapons to signal NATO's seriousness, and to introduce greater risk of an all-out nuclear exchange should the Soviets continue to exploit their conventional successes. Recognition of this possibility should be enough, so proponents argue, to stop the Soviet offensive. In short, the objective is not to use nuclear weapons to reverse NATO's fortunes on the battlefield but, instead, to end the war as quickly as possible on politically acceptable terms.

This discussion about signalling NATO's seriousness leads to a fourth point: the loss of Western Europe would have devastating consequences for the United States. Soviet control of the Eurasian heartland would result in a decisive shift in the distribution of world power against the United States. Is it not possible that NATO would use nuclear weapons to try to prevent the Soviets from conquering Western Europe? The United States' traditional commitment to Europe as an interest vital to its own security would certainly support that possibility in the minds of Soviet leaders. Finally, nuclear weapons might be used by accident or as the unintended consequence of conventional moves. For example, conventional operations on NATO's northern flank could threaten Soviet strategic nuclear assets, thus pushing the Soviets to use their nuclear weapons. The important point here is that neither side can ever be sure that nuclear weapons will not be used accidentally or that a conventional war will not, at some point, impinge on the strategic nuclear balance.

These considerations substantiate the fact that there _is_ a reasonable chance that NATO will use nuclear weapons in the event its conventional forces crumble. As long as that remains the case, NATO's nuclear forces will continue to have great deterrent value.

IV. CONCLUSION

There has been peace in Europe for forty years now. No crisis in Europe during that period, except possibly in Berlin, threatened to lead to war. Moreover, it is commonplace to hear defense experts of different political persuasions claim that they find it difficult to imagine circumstances under which the Soviets would strike into Western Europe. The reason for this good fortune is quite straightforward: NATO has a _very_ formidable deterrent posture.

The real challenge that faces NATO in the decade ahead will be to maintain that deterrent posture. That will not be an easy task. There is growing sentiment in the United States to reduce American troop levels in Europe. When one considers the state of the West European economies and much more importantly, demographic trends in the different NATO countries, it is hard to see how the Europeans, especially the Germans, are going to be able to maintain present force levels through the end of the century. Of course, any cutbacks in the size of the European armies is likely to fuel the fires in the United States for pulling American forces out of West Germany. It is going to take skillful political maneuvering by both European and American leaders to prevent significant erosion in NATO's present posture. Given the record of intra-Alliance relations over the past ten years, it is difficult to feel optimistic about NATO's prospects for maintaining the status quo in the decade ahead.

This is not to say, however, that NATO cannot make improvements in its posture or that any change in that posture is necessarily bad. In fact, it has been widely recognized for years that NATO's nuclear forces suffer important deficiencies; for example, some are too vulnerable to surprise attack and the NATO nuclear arsenal overall is bigger than necessary. Not surprisingly, therefore, NATO is in the process of altering the composition of its nuclear arsenal. Moreover, there is considerable room to improve NATO's conventional forces. It is absolutely essential, for example, that deployment of the American POMCUS be completed. The Belgians, the British and the Dutch need to continue modernizing and upgrading their conventional forces. More specifically, these forces, especially the British, must increase the firepower of their individual brigades. The Germans, for their part, must maintain their commitment to developing a formidable Territorial Army. At a more general level, NATO should make a greater effort to prepare the terrain in West Germany so as to further compound the attacker's problems. And, the Allies need to place more emphasis on improving the sustainability of their forces.

Finally, it should be emphasized that there are real dangers associated with the constant degradation of NATO's deterrent posture. First, for purposes of deterring a Soviet attack in some future crisis, it makes absolutely no sense to emphasize that should the Soviets attack, an easy victory would await them. Second, should there be a war in Europe, such a defeatist attitude would probably threaten the resolve of NATO's fighting forces. As Senator Sam Nunn once remarked, "If our American fighting men ever conclude that high levels of this Government have them deployed on a strategy that is inevitable failure, then nothing could destroy military morale of our country quicker." No one wants to die for a lost cause. Fortunately, the conventional wisdom is wrong; NATO presently has the capability to thwart a Soviet attack. Unfortunately, too few people recognize this.

Third, continually denigrating NATO's substantial conventional capability, in effect, undermines public support for continued spending on NATO's conventional forces. The reason is simple: if one believes that the disparity in conventional forces is very great, then what is the point of continuing to spend precious resources on a hopeless cause? In the decade ahead, when NATO is faced with significant pressures to reduce the size of its conventional forces, it will be difficult to make the case for maintaining the status quo if there is widespread sentiment that the existing deterrent is a feeble one. Fourth, it is dangerous to argue that NATO's nuclear weapons will not be employed in a conventional war, not only because this weakens deterrence, but also because they may very well be used. Both sides should be fully aware of the dangers of escalation, be it purposeful or inadvertent, that would be present in a major European war.

It is certainly not fashionable to applaud the status quo and to argue that NATO should make every effort to maintain its basic force structure for the remainder of this century. Nevertheless, when one considers the remarkable stability in present-day Europe in light of the horrors that occurred in

Europe during the first half of this century, the status quo looks extremely impressive. It is imperative that nothing be allowed to happen in the years ahead to weaken NATO's formidable deterrent.

John J. Mearsheimer's Answers to Questions Submitted by Senate Foreign Relations Committee

#1. The advent of strategic nuclear parity has not had significant influence on extended deterrence. Nuclear weapons continue to have great deterrent value. A weapon's deterrent value is a function of the risks and consequences associated with the use of that weapon as well as the likelihood that the weapon will be used. Few would disagree that nuclear weapons are horrible weapons and that their use might very well have catastrophic consequences. Thus, for deterrence to obtain, it is not essential that the likelihood of use be high. There only needs to be some reasonable chance that these weapons would be used in a conventional war. For certain, it is not as likely that NATO would use nuclear weapons today as it was twenty years ago. Nevertheless, there still remains some reasonable chance that NATO policy-makers would turn to nuclear weapons in the event that Western Europe was being overrun by the Soviets' conventional armies. After all, the loss of Western Europe to the Soviets would be a devastating blow to America's position in the world. It should also be emphasised that there is always a possibility of inadvertent escalation. When one considers the horrifying consequences of nuclear war in light of the real possibility that these weapons might be used, it becomes clear that NATO's nuclear weapons continue to serve as a most formidable deterrent.

#2. Defense analysts often speak about the conventional and nuclear elements of NATO's deterrent posture as if strengthening one element would weaken the other. In fact, the two elements compliment each other and strengthening one does not detract from the other. NATO is best served by having powerful conventional forces backed up by a formidable nuclear deterrent. It is going to be very difficult for NATO to maintain its present conventional force levels in the next two decades. The principal reason is the coming decline in manpower available for NATO's armies-- especially for the Bundeswehr. NATO must make a concerted effort to prevent any erosion in the present conventional balance. NATO must also resist the temptation to reduce its reliance on nuclear weapons.

#3. There are actually very few comprehensive assessments of the NATO conventional balance available in the public domain. This is one of the main reasons why so many believe that NATO is hopelessly outnumbered at the conventional level.

#4. Yes, although this does not mean that defense spending priorities are correct. American defense spending, for example, is wisely predicated on the belief that NATO is our principal foreign policy commitment. Yet, there is much disagreement as to whether marginal defense dollars should be directed to the navy, which is oriented towards fighting on NATO's Northern Flank, or to the army and tactical air forces, which are prepared to fight on the Central Front. The Reagan Administration would be wise to spend less money preparing to launch offensive naval operations in the north and instead devote more resources to defending the Central Front.

#5. SDI is not a serious military option at this point or for the foreseeable future, and thus it will have no direct effect on NATO strategy.

#6. Too much has been demanded of arms control in the past. Arms control cannot fundamentally alter the nature of the competition between the United States and the Soviet Union. Arms control can help ameliorate tensions and it can sometimes work to prevent arms races in different categories of weaponry. Therefore, NATO should seriously pursue arms control agreements, while going to great lengths not to oversell them.

#7. The greatest threat to NATO comes on the Central Front. The Soviet Union is principally a continental power whose military might is naturally built around its ground forces and those of its Warsaw Pact allies. Those forces, which are located opposite West Germany, represent the most important threat to the West and must therefore be our principal concern. This is not to say that NATO should pay no attention to the threats on its Northern and Southern Flanks, but only to point out that these are second-order threats.

#9. There is no reason that the MIRVing of the British and French nuclear deterrents should create an insurmountable obstacle to arms control. After all, MIRVing has not prevented the superpowers from reaching agreements. The principal obstacle to arms control agreements involving the British and the French will be political, not technical, considerations.

LARRY PRESSLER
SOUTH DAKOTA

COMMITTEES:
FOREIGN RELATIONS
COMMERCE, SCIENCE AND TRANSPORTATION
SELECT COMMITTEE ON AGING
SMALL BUSINESS

United States Senate
WASHINGTON, DC 20510

October 25, 1985

Mr. Robert Semple
Editor, Op-ed Page
The New York Times
229 West 43rd Street
New York City, NY 10036

Dear Mr. Semple:

Enclosed is an article I have written on an important current problem — how to control the spread of terrorism. It describes the importance of ratification of the U.S. - United Kingdom extradition treaty in the battle against terrorism. As Chairman of the Foreign Relations Subcommittee on European Affairs I have taken a special interest in this treaty, which was signed by President Reagan and Prime Minister Thatcher.

Please let me know as soon as possible whether you will be able to use the article in the New York Times. If there are any questions, please contact Dr. Carol Hansen of my staff at 202 224-4443. Thank you for your attention to this submission.

Sincerely,

Larry Pressler
United States Senator

LP:th
enclosure

Senator **Pressler**. Thank you.

The reason for the concern over an up-to-strength Bundeswehr is the demographic live birth ratio; is that right?

Mr. **Mearsheimer**. Yes.

Senator **Pressler**. The decline of the birth rate is the issue.

Mr. **Mearsheimer**. Starting in the 1960's, there was a significant dropoff in the German birth rate. Actually, the problem really begins to manifest itself in 1987.

Senator **Pressler**. Will they be actually losing population or just holding steady?

Mr. **Mearsheimer**. Losing population.

If you project these population trends, these present population trends out into the middle of the next century, the size of Germany, the population base of Germany shrinks significantly. We are talking about a decreasing population base and not maintaining the status quo.

Senator **Pressler**. I see. That is very interesting.

Let me say that I think that this has been very excellent testimony. I would ask a question that we have not yet covered today, the whole issue of arms control, NATO, and the upcoming summit.

Do any of you three see anything significant that will affect NATO coming out of the summit? Of course, it depends ultimately when it occurs. It could affect us all dramatically.

Do you see any particular NATO issues that the President, if you were advising him, should be particularly protective of? Do you see any major developments regarding NATO coming out of the upcoming summit?

Mr. **Mearsheimer**. I will say a word or two on that.

I don't think there are any concrete developments will result that are then going to have any effect on United States-European relations.

For example, I do not think that SDI at this point is a realistic military option that is going to be affected by this summit or any subsequent negotiations, and, therefore, is going to have significant impact on United States-European relations.

I think that what is much more important is the tone of the negotiations and the general attitude that Europeans believe the American Government has toward negotiating with the Soviet Union.

Europeans in general are quite distrustful of the United States, especially of this government. They think that our government's attitude toward the Soviet Union is basically confrontational in nature, and they would like to see some easing of that attitude.

If that were to happen as a result of this summit, I think probably United States-European relations would improve.

Senator **Pressler**. We have not really covered the naval forces of NATO. How should NATO respond to the increased Soviet presence in the Mediterranean and in bases along the world's shipping lanes? Are we investing enough in our Navy in comparison to forces intended for use along the inter-German border?

Dr. **Epstein**. I can comment on that.

I think we are investing far too much in the Navy relative to our investment in forces that would be directly engaged in fighting on the inter-German border. It seems to me that that is where our main conventional commitment lies, in Europe, and we are diverting resources from tactical air and ground units that are critical to the forward defense of Western Europe and plowing them into naval forces, and, in particular, into surface naval forces whose contribution to the defense of Europe is, in my view, quite marginal.

I do not think a 15-carrier fleet is necessary to ensure the reinforcement of Western Europe and the capacity of NATO to sustain operations, nor do I think this sort of expansion in the surface navy is required to ensure freedom of the shipping lanes.

So my answer is that I think our priorities are backward in this respect and that more energy should be devoted to the improvement of our land power, rather than naval power at this point.

Senator **Pressler**. Thank you.

I would like to ask any of you the question I asked Mrs. Kirkpatrick about "the soft underbelly" of NATO.

The Greek-Turkish conflict in the Aegean has been called NATO's weakest link. Do you believe that NATO's southern flank is adequately protected, and what can we do to foster a climate of compromise in this situation?

Mr. **Mearsheimer**. I would like to comment on that question.

I think that the principal Soviet threat comes on the central front and to a lesser extent on the northern flank. I just do not think that there is that great a threat on the southern flank.

What we have to worry about first and foremost is the central front.

With regard to the Greek-Turkish situation, I think there is no question but that that problem detracts from NATO's capabilities. This is something of a platitude and something that is difficult to disagree with, but the fact is it would be in our interest to see those two nation-states reach some sort of accommodation so that we can get on with the business or strengthening our position on the southern flank.

Nevertheless, I just do not see any great problem there.

This discussion gets back to your earlier question about the Mediterranean. The fact of the matter is that the Soviet Union, much like Germany before both World War I and World War II, faces a very peculiar naval situation vis-a-vis the United States and NATO in general, and that is that it is very easy for us to bottle up their naval forces in their ports, much the way it was very easy for the English to bottle up the German navy in the North Sea and in the Baltic in both World Wars.

Those German ships that managed to escape before World War I and World War II were easily destroyed by the British Navy. The same thing would be true against the Soviet Navy in a conventional war.

In a way, one could argue that we should hope that a large portion of the Soviet Navy is freed from its ports and roaming around in the Atlantic and Pacific Oceans when war breaks out, because I do not think we would have much difficulty destroying those forces.

For geographical reasons—and geography is very important, as Ms. Kirkpatrick pointed out—we have a significant advantage over the Soviet Union in the naval realm.

This brings us back to the matter that Dr. Epstein raised about the problems of measuring the military balance by simply counting beans on each side. If you count the number of ships that the Soviets have and the number of ships that NATO has, you get a very unreal picture of what the balance looks like.

You have to consider geography. When you look at the geographical situation, they face very significant problems, very similar to the ones that the Germans faced before World War I and World War II, that make our task much easier.

I think that this situation obtains in the Mediterranean. The idea that the Soviets are going to be out in the Mediterranean in force causing us large amounts of trouble, I think, is unrealistic. I also think it is unrealistic to think that large numbers of their attack submarines and surface ships will be out in the Atlantic trying to interdict the SLOCS. I think that the Soviet Navy will remain bottled up in the area around Murmansk, and I think that is to our advantage.

I think we are in reasonably good shape, if not very good shape, when you look at the naval balance as well as balance on the central front.

Dr. **Epstein**. If I could add one further point on geography, since the topic seems to have come up, there is another southern flank area of concern, the Persian Gulf, where people also fail to recognize a geographical fact. The Soviet threat to Iran is the canonical planning contingency in the Pentagon for this region, and it is seldom noted that there are two very formidable mountain ranges between the Soviet Union and any of the oilfields, a terribly limited and very vulnerable transportation system over those mountains, and a great many defensive opportunities that could be exploited by existing American forces if, as in Europe, mobilization were timely and the United States responded to a warning of Soviet attack, as I think the Soviets are quite well aware from their own studies of this problem.

Senator **Pressler**. We have several questions for the record that I have not asked, which I will ask staff to submit to each of you to answer for the record.

We have run out of time.

But I do want to thank you very much for these excellent presentations. I think we have now at this table an example of three of our country's leading experts. I want to thank you very much for coming and for your time.

This subcommittee will stand in recess until 1:58.

Whereupon, at 12:50 p.m., the subcommittee recessed, to reconvene at 1:58 p.m., this same day.]

[The following information was subsequently supplied for the record:]

CHARTS SUMMARIZING CHANGES IN NATO: 1945-1985

Charts A through D summarize some of the most important shifts that have occurred in the NATO Alliance's political, military, economic, and diplomatic relationships between 1945 and 1985. Where 1950 represents a more meaningful year in terms of comparisons, it is used instead of 1945.

Chart A.1

Political Changes in the Alliance

1945	1950	1985
Soviet Union is an Allied power.	Soviet Union perceived as the major threat to West Europe after its military occupation of Eastern Europe and sanctioning North Korea's invasion of South Korea.	Soviet Union still perceived as the major adversary to the Western allies, but the perceived threat of a Soviet military attack on Western Europe has lessened.
Yalta Agreement divides Germany into four occupation zones. Division regarded, at least by the U.S., as a temporary arrangement.	France, Britain and the United States consolidate their occupa-zones, and help to set up a democratic government in West Germany (FRG). Soviet Union continues its occupation of East Germany and counters West by creating German Democratic Republic in 1949. Soviets blockade Berlin in 1948.	Inviolability of European frontier, self-determination and the removal of East-West barriers recognized in the 1975 Helsinki Accords. Through detente and the Helsinki process, greater contacts, trade and flow of people and information between East and West Europe are being realized. Access to Berlin regulated by 1972 Quadripartite Accords.
Defeat of the Axis powers. Allies looking for ways to ensure that Germany can never again threaten the peace in Europe.	U.S. presses for German rearmament in the context of Soviet military consolidation of East Europe. FRG invited to join NATO in 1954.	FRG fuly integrated into NATO. Political system matures. FRG regarded as a normal participant in international relations.
Period of political and economic instability. What to do with Germany? Shifting balance of power.	Victorious powers still trying to find an appropriate solution to the German question -- continued political instability in Europe. Shifting balance of power.	German question not fully resolved, but the political environment has stabilized. World recognition of two German states -- one firmly rooted in the Western camp and the other dominated by Soviet power.

Chart A.2

Political Changes in the Alliance

1945	1950	1985
West European Communist parties accepted into the post-war poltical system largely because of their positive role in the anti-Nazi Resistance Movement.	West European Communist parties are spurned and in some cases outlawed during Cold War period.	West European Communist parties make a comeback largely due to their less pro-Soviet orientation. Now generally considered legitimate political parties although relatively few have participated in governing and most possess little political strength.
European nations have a global outlook with overseas colonies. U.S. desires to retreat to its shores after the War is ended.	Soviet "imperialism" -- seeks global status and a global role, particularly since mid-50s. Communist expansion and weakness of metropolitan powers forces the United States again to accept global responsibilities.	With the loss of their imperial systems, European states become regional powers with regional perspectives. With achievement of nuclear parity and global naval capabilities, Soviets win recognition as a global power of equal power status with the United States.
Great Britain demobilizes after the war. Orientation to the U.S. and the Commonwealth.	Britain desires a modest, low cost role in a European security or economic framework. Looks to its relationship with the United States and its colonies as most important.	"Special relationship" with the United States still important, but Britain has become more continental in its outlook. Became member of the European Community in 1975. Sees its future depending on political, economic and security cooperation with its European neighbors.
France wants a permanently disarmed Germany. More oriented toward the continent as well as overseas territories.	France plays an active role in shaping a European security framework, which it wants to lead. Desires U.S. participation to control Germany.	French-German cooperation has been the key to NATO's and the EC's continued strength. Even though France withdrew from the military command of NATO in 1966, it continues to play an active role. Discussing the idea of extending its nuclear deterrent to the FRG after twenty years of espousing the "sanctuary" doctrine.

Chart A.3

Political Changes in the Alliance

1945	1950	1985
Terrorist incidents virtually non-existent in Europe.	Terrorist incidents virtually non-existent in Europe.	Concerted and sophisticated terrorist organizations have targeted key government leaders and U.S. and allied NATO personnel and facilities in Western Europe.
Defeat of Germany and Japan with industrial Europe in shambles. In 1945, U.S. only major country whose economy has not been devastated during the war.	European nations dependent on the United States militarily and economically. Generally follow U.S. leadership.	European nations self sufficient in a political and economic sense. Where there are competing interests or disagreements with the United States, European nations are more confident to challenge U.S. policies. Alliance policy built on consensus.
Portugal and Spain are governed by dictatorships.	Portugal and Spain are governed by dictatorships.	Efforts to "democratize" southern flank of Europe. Spain, Portugal, Greece and Turkey all have democratic governments. All are members of NATO. Greece a member of the EC, and in 1986, Spain and Portugal will be integrated into the Community.

Chart B.1

Economic Changes in the Alliance

1945	1950	1985
Europe in economic ruin.	European economic reconstruction. Marshall Plan aid (1948-1952) and establishment of OEEC (Organization for European Economic Cooperation).	Establishment of the European Economic Community (1957). EEC's economy rivals that of the United States.
In 1947, OEEC countries' exports to the U.S. were 14% of their imports from the U.S.	In 1950, OEEC countries' exports to the U.S. were 24% of their imports from the U.S.	In 1984, EEC* countries' export to the U.S. were 113% of their imports from the U.S. (*EEC is a smaller number of countries than OEEC (now OECO). No comparable data available.)
U.S. and European oil companies controlled the price and production of oil.	U.S. and European oil companies controlled the price and production of oil.	OPEC founded in 1960. By 1967 OPEC exerted some control over oil prices. 1974 OPEC oil price hike led to Western economic recession. Today, impact of OPEC less important due to current world oil glut but still is predominant influence in world price. Britain and Norway become oil producing nations by the mid-seventies.
No economic integration.	Administration of Marshall Plan aid requires European coordination, albeit limited.	EC with six original members will expand to twelve with the entry of Spain and Portugal next year. The role of the Community has expanded beyond one of removing trade barriers to developing common approaches to economic, social, energy and Third World problems. EC has more recently tried to find common approaches to political and international issues.

Chart B.2

Economic Changes in the Alliance

1945	1950	1985
East/West economic ties were war devastated, temporary expedients.	East/West economic ties virtually non-existent.	East/West trade and economic expansion are regarded by the West Europeans as positive element of detente. Competing U.S./West European views on trade, economic sanctions and technology transfer with the East bloc have created U.S./ Alliance tensions.
Europe economically devastated.	Europe rebuilds with modern equipment and technology.	European industrial infrastructure is aging. Many Europeans fear that Europe is not keeping pace with the United States and Japan in the technology race.
Labour government in Britain institutes the modern social welfare state.	Socialized medicine and other public benefits are extended to the population. Overseas empire becoming increasingly costly for Britain.	Resources to pay for social welfare programs are demanding an increasing percentage of the revenue pie. Continued high benefits are expected by the populations even though the Thatcher government has tried to curtail them. Labor resistence to economic reforms further complicates the problem, making recovery a painstaking goal.
Germany in economic ruin.	U.S. economic aid and the Marshall Plan begin to ignite spectacular West German economic growth in the 50s and 60s.	FRG is the economic giant of Western Europe and consequently the economic leader of the European Community. Although low growth rates and unemployment problems currently plague the economy, the FRG, with its enviable balance of trade, has not suffered to the extent of other European economies.

Chart B.3

Economic Changes in the Alliance

1945	1950	1985
GNP per capita Data not available for 1945	World Ranking, GNP per capita (1950 figures)	World Ranking, GNP per capita (1982 figures)
	1. United States	1. United Arab Emirates
	2. Canada	2. Kuwait
	3. Switzerland	3. Switzerland
	4. Australia	4. Saudi Arabia
	5. Sweden	5. Norway
	6. Belgium/Luxembourg	6. Sweden
	7. United Kingdom	7. United States
	8. Denmark	8. Denmark
	9. France	9. Federal Republic of Germany
	10. Norway	10. France
	U.S. economic attention focuses mainly on Western Europe.	Growing economic attraction of the Pacific Basin somewhat of a concern to the West Europeans.
U.S. imports are 11.4% of world imports. U.S. exports are 32.4% of world exports.	U.S. imports are 15.2% of world U.S. exports are 18.3% of world exports.	U.S. imports are 18.4% of world imports. U.S. exports are 12.3% of world exports.

Chart C.1

Military Changes in the Alliance

1945	1950	1985
U.S. uses two of its inventory of three atomic bombs on Hiroshima and Nagasaki. U.S. is the sole possessor of atomic weapons. Bomber is the only delivery vehicle.	Soviets successfully test first atomic device in 1949 -- followed by hydrogen bomb in 1953. British detonate first atomic device in 1952. U.S. is the sole possessor of 292 nuclear gravity bombs (1950). Bomber is the only delivey vehicle.	U.S./Soviet nuclear parity. U.S. has 10,770 nuclear weapons and Soviets have 9,594 (1984 figures). British, French, Chinese have smaller, independent nuclear arsenals. Delivey vehicles expanded to include submarines, long-range, intermediate-range, tactical missiles.
U.S. rapidly demobilizes after WW II ends. Leaves occupation force of approximately 145,000 (1948).	U.S. mobilizes for Korean War. By 1953, U.S. has over 435,000 troops in Western Europe.	U.S. has 326,000 forces on the ground in NATO/Europe (excludes naval forces).
U.S. forces instrumental in defeat of Axis powers. Some forces remain in Europe during the occupation of Germany.	U.S. troop presence in Europe regarded as temporary until Europeans can work out a collective security arrangement.	U.S. troop presence in Europe accepted as part of our allied commitment. Continued Congressional reexamination over levels of U.S. troops in Europe.
Soviet Union is ally against Germany and Japan.	Soviets militarily occupy Eastern Europe. By 1950 and Korean War, Soviets seen as the main threat to Europe.	Soviets retain quantitative conventional superiority in NATO/Warsaw Pact balance, but Soviet military attack on Western Europe appears remote.
Germany defeated and disarmed.	Germany divided, still disarmed. Federal Republic of Germany joins NATO in 1954, and limited rearmament begins.	Virtually all provisions limiting West German rearmament are removed (except those restrictions on nuclear weapons). FRG provides 50% of NATO ground forces, 50% of ground air defense and 30% of combat aircraft to NATO forces in Central Europe.

Chart C.2

Military Changes in the Alliance

1945	1950	1985
Allied forces defeat Axis forces in 1945.	Signing of North Atlantic Treaty in 1949. Failure of the European Defense Community in 1954. (French withdraw from military wing of NATO in 1966).	Spain becomes the 16th member of NATO. Expansion of NATO's political role initiated in the 1967 Harmel Report asserting the two main functions of the Alliance -- defense and detente.
U.S. is the preeminent military power.	European nations generally have global interests but regional military capabilities. U.S. is forced to assume global military role. Soviets militarily preoccupied in East Europe.	U.S. and Soviets are superpowers with global military capabilities Europeans limited to regional military capabilities. Political status quo in Europe leaves Soviets free to expand military role in the Third World.
Britain withdraws most of its forces from Germany. Cooperated closely with the United States in development of the atomic bomb.	British struggling to maintain global military role. Do not desire to commit substantial forces to Europe. Continued close nuclear cooperation with the U.S. Explode first atomic device in 1952.	British first priority to European defense. Finding it difficult to juggle limited resources to pay for NATO commitment, a modernized, independent nuclear deterrent and costly overseas possessions like the Falkland Islands.
France's first priority is preventing Germany's rearmament.	France develops the framework for a European defense community, in which it would play the leading role. Opposes German rearmament. Asserts its independence after EDC fails. Begins development of nuclear weapons program in 1955. Explodes first atomic bomb in 1960. Withdraws from military command of NATO in 1966. France bogged down with overseas commitments in Vietnam and Algeria during 50s and early 60s.	Increasingly close cooperation with NATO and West Germany even though France remains outside the military wing of the Alliance. Development of a rapid action force for contingencies in Europe or outside the region. Significant nuclear modernization underway. French rethinking nuclear strategy -- discussing extending their nuclear deterrent to FRG. Leader of discussions within the WEU on European approaches to collective security.

Chart D.1

Diplomatic Changes in the Alliance

1945	1950	1985
Collapse of the Grand Alliance at end of WWII.	Soviets rely on strong-arm tactics to control East Europe.	Soviets more sophisticated in their means of keeping East Europe under their tutelage -- showing greater restraint in the use of military force, making some trade-offs in political and economic liberalization in exchange for displays of loyalties in other areas. Nonetheless, Soviet military might continues to ensure Eastern European subservience.
	Korean War militarizes the U.S. approach to the Atlantic Alliance and to the Russians.	In an age of nuclear parity and probable Soviet conventional edge, the U.S. has regular negotiation with the Soviets. U.S. and Soviets both seek to avoid military involvement in international conflicts that could lead to head-to-head confrontation.
	U.S. the overpowering political/military force in the Alliance. Could generally shape policy according to its interests.	U.S. is a less dominant partner in the Alliance. U.S. interests do not necessarily always coincide with those of Europe. Decisions in NATO based on Alliance consensus.
	U.S. seen as part of the solution to building international stability. U.S. perceived as the democratic model.	U.S. increasingly perceived by Europeans as part of the solution and part of the problem in the current international environment.
Europe is the center of international diplomacy.	Europe and U.S. are the centers of international diplomacy.	Diplomacy has become more internationalized.

Chart D.2

Diplomatic Changes in the Alliance

1945	1950	1985
	The Cold War and the descent of the Iron Curtain seal off West European contacts with the Soviet bloc.	The Helsinki process institutionalized East-West diplomacy. CSCE and MBFR ensure regular political and miltary discussions between East and West.
Diplomacy generally carried out at the bilateral level.		Creation of NATO, EC, COCOM, UN, CSCE, OECD et. al. shows that diplomacy is increasingly being conducted in multilateral fora. Again emphasizes the importance of consensus-building.
Diplomacy less public.		Communications techology and the mass media have made diplomacy more open to the public. Negotiations are held up to general public scrutiny. This has, in some part, diminished the importance of traditional diplomatic methods, restricting the diplomat's room for maneuver.
	Limited public awareness of day-to-day events on opposite sides of the Atlantic.	Television and satellite communications have internationalized U.S. and European political debates. In many ways this has helped to integrate U.S. and European perceptions. In other ways, it holds U.S. policies up to world scrutiny, making us more aware of international differences.

Chart D.3

Diplomatic Changes in the Alliance

1945

1950	1985
U.S. has little interest in arms control talks that would erode its nuclear advantage.	Arms control has become a required element of East-West diplomacy
Soviet Union regarded as the leader of a monolithic Communist bloc.	China, Yugoslavia, East European states and Third World countries have established different versions of Communist regimes dispelling the perception of a monolithic bloc totally controlled by Moscow. Warsaw Pact nations still Soviet dominated.

Sources

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AFTERNOON SESSION

The subcommittee met at 1:58 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Larry Pressler (chairman of the subcommittee) presiding.

Present: Senator Pressler.

Senator **Pressler**. I will call this meeting to order.

This is the seventh session in the series of NATO hearings, "Is NATO Still the Centerpiece of U.S. Policy? Should It Be?"

I apologize for being a bit late. Our session this afternoon concentrates on the difficult question, "Trade and Agriculture in NATO—Are They Competing Priorities in United States Policy Toward Europe?"

We are fortunate to have an excellent group of witnesses this afternoon, drawn from the administration, from academe, and from the research community.

Our first panel is composed of two distinguished members of the administration. Richard A. Smith is the Administrator of the Foreign Agricultural Service of the U.S. Department of Agriculture.

He was appointed to that post after serving more than 20 years with the agency both in Washington and overseas. Mr. Smith received the USDA award for distinguished service in 1983, and the Presidential Distinguished Executive Rank Award in 1984.

As Administrator of the Foreign Agricultural Service, Mr. Smith directs the agency charged with helping U.S. exporters and producers to increase exports of U.S. agricultural products, a business worth $38 billion in fiscal year 1984.

Do we have Mr. Smith here?

[No response.]

Senator **Pressler**. We could go on to our next panel if the first panel is not here.

[Pause.]

Senator **Pressler**. I guess we will just have to wait for a moment.

[Pause.]

Senator **Pressler**. I have already introduced Ambassador Smith. Would you please come up to the witness table? We thank you for coming.

Please proceed with your statement.

STATEMENT OF RICHARD A. SMITH, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Smith. Thank you, Mr. Chairman.

I appreciate the opportunity to discuss with you today the very important issue of United States-European agricultural trade relations.

The European Community has long been one of our most important agricultural trading partners. Although the United States and the EC account for only 11 percent of the world's population, together they account for over one-half of the world trade in agriculture.

Obviously, the future course of trade relations between these traditional partners will have a far-reaching effect on the international economy.

In recent years, the Community's common agricultural policy, better known as the CAP, has been a major source of concern to the United States.

Since the inception of the CAP in 1962, the United States has supported Europe's goals for unification and has respected their strong conviction that the CAP is central to achieving that unity.

U.S. concern is not with these objectives, but with the manner in which the CAP is being implemented and the resulting effects on international trade.

The EC believes the responsibility of government is to assure a market for all agricultural production at price levels that are targeted to provide remunerative income to farmers. The problem is that the Community's internal pricing policies have not been administered in such a way as to make them trade neutral. Instead, they have disrupted the trade of other countries.

Grain producers in Australia, Canada, Argentina, and the United States have all been hurt by these policies. So, too, have been the producers of, for example, beef in Australia and Argentina, and sugar growers in Australia, Brazil, and the Philippines, and many other countries.

Under the CAP, the EC employs a system of high internal price supports, variable levies, and export subsidies. These have combined to increase both the EC's overall self-sufficiency rate and exports, while reducing imports from the United States and other suppliers.

The EC's variable levy system insulates Europe's internal markets from fluctuations that other countries must face. As a result, Europe does not share in the "burden of adjustment" to changes in global conditions.

Just to cite some examples, EC agricultural production has grown steadily as a result of these incentives which have been paid out from the Treasury.

EC self-sufficiency in wheat increased from 98 percent in 1971 to 143 percent in 1984. Similar trends have taken place with respect to feed grains, poultry, meat, and sugar.

The EC has gone from being a net importer of poultry in the mid-1960's to the world's largest exporter, with over 40 percent of the world market.

The EC is now the world's largest egg exporter, shipping an estimated 2.6 billion pieces in 1984. Prior to the inception of the Common Agricultural Policy for eggs in 1967, the EC was the world's largest importer.

Prior to 1973-74, the EC was a net importer of beef and veal. Now the Community is the world's largest exporter, ahead of Australia and Argentina. The EC appropriated over $700 million for beef and veal export subsidies in 1984.

During the past decade, the EC has gone from being a net importer of sugar to the world's largest exporter of refined sugar.

Large appropriations for dairy export subsidies—about $1.8 billion in 1984—have allowed the EC to remain the world's largest dairy exporter.

During the early years of the EC's CAP, the United States and other trading partners accepted these developments because the

Community in those years was not a major exporter of agricultural products. They were a major importer.

Also, with rampant inflation during the 1970's, commodity prices were so high that they masked the impact of the EC's production policy. With expanding economies and large world demand for agricultural products, there was room for everyone to expand.

The agricultural situation in the 1980's is very different from that of the previous decade. The world is facing surpluses as demand has weakened. However, the EC has continued to expand production, and has exported the resulting surpluses by spending half of its agricultural budget on subsidies. The EC has also been able to maintain its share of the world market during the recent period of slack demand by, in effect, forcing U.S. farmers to produce less and earn less in the world marketplace.

I do not wish to imply, Mr. Chairman, that all of the U.S. problems in the world marketplace are of the EC's making. The United States, too, must face up to the fact that its farm policies need substantial revision.

If U.S. agriculture is to be operated on a solid foundation, we are going to have to enact changes in farm legislation that will allow our farmers to make investment and production decisions based on market signals—changes that will enable U.S. producers to be competitive in world markets.

However, if the United States does move in the direction of a more market oriented U.S. agriculture, U.S. exporters must be able to compete in international markets. Subsidized exports from the Community cannot be allowed to drive U.S. production out of the marketplace.

The General Agreement on Tariffs and Trade, the GATT, Subsidy Code is supposed to give signatories the right to call to account another country that uses subsidies to undercut market prices or to use unfair trade practices to enlarge its share of the world market.

Unfortunately, the Subsidy Code rules for agriculture were loosely written and do not provide the discipline needed in world agricultural trade. We are working hard within the GATT to get substantial changes in the code rules that would allow the use of export subsidies for agricultural products in only exceptional cases. Unfortunately, we have not been very successful or made much progress in these talks on this issue.

U.S. negotiators have also undertaken bilateral talks with the EC. We are asking that the Community consider steps to neutralize the external effects of its internal policies.

Despite the lack of progress within the GATT, there is a growing recognition within the EC of the global nature of agriculture and of the need to adapt to that reality. The European Community Commission's new green paper, called "Perspectives for the Future of the Common Agricultural Policy," supports this point.

Issued as a discussion paper for CAP reform, it notes that the era of high, open-ended farm price supports must come to an end. It recognizes that Community agriculture must move further toward the free market and away from policies that encourage production for markets that do not exist.

The green paper is encouraging, but it needs to be followed with some tangible evidence that the EC is moving to solve the problem.

We recognize that the EC faces serious political problems in undertaking any reform of its agricultural system. That was apparent in the debate last spring over a very small proposed decrease in grain prices. Because the EC Council was unable to reach an agreement on the proposed cut, the EC Commission was forced for the first time to act without the approval of the member states and unilaterally implemented a 1.8-percent price reduction.

This impasse on price reduction has already created serious disunity among the EC members. In our view, even more serious problems lie ahead as the member states grapple with ways to bring their production into line with market realities.

The most efficient way, in our opinion, would be the for EC to lower prices to world market levels and support their farmers through direct payments. But if the members could not agree this past spring on a cut as small as 1.8 percent, think of the problems there would be in reaching a consensus on cuts in the magnitude of 10 to 15 percent.

The other option, of course, is the application of mandatory controls on production. The EC did this last year for dairy production. But here again, the application of mandatory controls was an extremely contentious issue that created great disunity among members.

In the past, the CAP has been referred to by the Europeans as "the glue that binds the Community together." However, it has clearly demonstrated its potential to be divisive and consequently a destabilizing influence in Europe as well.

Certainly, the NATO alliance would be ill-served by such an unstable situation.

Mr. Chairman, that concludes my statement. I would be glad to answer any questions.

[Mr. Smith's prepared statement follows:]

Statement by Richard A. Smith, Administrator
Foreign Agricultural Service
U.S. Department of Agriculture
Before the European Subcommittee of the Senate Foreign Relations Committee
October 3, 1985

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to discuss with you a very important issue--U.S.-European agricultural trade relations.

The European Community has long been one of our most important agricultural trading partners. Although the United States and the EC account for only 11 percent of the world's population, they account for one-half of all agricultural trade and nearly the same proportion of total trade in the world. Obviously, the future course of trade relations between these traditional partners will have far-reaching effects on the international economy.

In recent years, the Community's Common Agricultural Policy (CAP) has been a major source of concern for the United States.

Since the inception of the CAP in 1962, the United States has supported Europe's goals for unification and has respected their strong conviction that the CAP is central to achieving that unity. U.S. concern is not with these objectives, but with the manner in which the CAP is being implemented and the resulting effects on international trade.

The EC believes the responsibility of government is to assure a market for all agricultural production at price levels that are targeted to provide remunerative income to farmers. The problem is that the Community's internal pricing policies have not been administered in such a way as to make them trade neutral. Instead, they have disrupted the trade of other countries.

Grain producers in Australia, Canada, Argentina, and the United States have been hurt. So too have producers of beef in Australia and Argentina, and sugar growers in Australia, Brazil, the Philippines, and many other countries.

Under the CAP, the EC employs a system of high internal price supports, variable levies and export subsidies. These have combined to increase both the EC's overall self-sufficiency rate and exports, while reducing imports from the United States and other suppliers.

The EC's variable levy system insulates Europe's internal markets from fluctuations that other countries must face. As a result, Europe does not share in the "burden of adjustment" to changes in global conditions.

Since the CAP was initiated, EC agricultural production has grown steadily as a result of the incentives paid out of its treasury. For example,

— EC self-sufficiency in wheat increased from 98 percent in 1971 to 143 percent in 1984. Similar trends have taken place with respect to feed grains, poultry, meat and sugar.

— The EC has gone from being a net importer of poultry in the mid-1960s to the world's largest exporter, with over 40 percent of the world market.

-- The EC is now the world's largest egg exporter, shipping an estimated 2.645 billion pieces (net of intra-trade) in 1984. Prior to the inception of the Common Agricultural Policy for eggs in 1967, the EC was the world's largest importer.

— Prior to 1973/74, the EC was a net importer of beef and veal. Now the Community is the world's largest exporter, ahead of Australia and Argentina. The EC appropriated over $700 million for beef and veal export subsidies in 1984.

— During the past decade, the EC has gone from a net importer of sugar to the world' largest exporter of refined sugar.

— Large appropriations for dairy export subsidies—$1.8 billion in 1984—have allowed the EC to remain the world's largest dairy exporter.

During the early years of the EC's CAP, the United States and other trading countries accepted these developments because the Community in those years was not a major exporter of agricultural products. Also, with rampant inflation during the 1970s, commodity prices were so high that they masked the impact of the EC's production policy. With expanding economies and burgeoning world demand for agricultural products, there was room for everyone to expand.

The agricultural situation in the 1980s is very different from the previous decade. The world is facing surpluses as demand has weakened. However, the EC has continued to expand production--and has exported the resulting surpluses by spending half of its agriculture budget on subsidies. The EC has been able to maintain its share of the world market during the recent period of slack demand by, in effect, forcing U.S. farmers to produce less and earn less in the world marketplace.

I don't wish to imply, Mr. Chairman, that all the U.S. problems in the world marketplace are of the EC's making. The United States, too, must face up to the fact that its farm policies need substantial revision.

If U.S. agriculture is to be operated on a solid foundation, we are going to have to enact changes in farm legislation that will allow our farmers to make investment and production decisions based on market signals--changes that will enable U.S. products to be competitive in world markets.

However, if the United States does move in the direction of a more market-oriented U.S. agriculture, U.S. exporters must be able to compete in the international market. Subsidized exports from the Community cannot be allowed to drive U.S. products out of the marketplace.

The General Agreement on Tariffs and Trade (GATT) subsidy code is supposed to give signatories the right to call to account another country that uses subsidies to undercut market prices or to use unfair trade practices to enlarge its share of the world market.

Unfortunately the subsidy code rules for agriculture were loosely written and do not provide the discipline needed in world agricultual trade. We are working hard within the GATT to get substantial changes in the code rules that would allow the use of export subsidies for agricultural products in only exceptional cases. We have not made much progress to date on this issue.

U.S. negotiators have also undertaken bilateral talks with the EC. We are asking that the Community consider steps to neutralize the external effects of its internal policies.

Despite the lack of progress within the GATT, there is a growing recognition within the EC of the global nature of agriculture and of the need to adapt to that reality. The European Community Commission's new Green Paper, "Perspectives for the Future of the Common Agricultural Policy," supports this point.

Issued as a discussion paper for CAP reform, it notes that the era of high, open-ended farm price supports must come to an end. It recognizes that Community agriculture must move further toward the free market and away from policies that encourage production for markets that do not exist.

The Green Paper is encouraging, but it needs to be followed with some tangible evidence that the EC is moving to solve the problem. We recognize that the EC faces serious political problems in undertaking any reform of its agricultural system. That was apparent in the debate last spring over a very small proposed decrease in grain prices. Because the EC Council was unable to reach agreement on the proposed cut, the EC Commission was forced for the first time to act without the approval of the member States and unilaterally implemented a 1.8 percent price reduction.

This impasse on price reductions has already created serious disunity among the EC members. In our view, even more serious problems lie ahead as the member States grapple with ways to bring their production into line with market realities. The most efficient way, in our opinion, would be for the EC to lower prices to world market levels and support their farmers through direct payments. But if the members could not agree this past spring on a cut as small as 1.8 percent, think of the problems there would be in reaching a consensus on cuts in the magnitude of 10 or 15 percent.

The other option, of course, is the application of mandatory controls on production. The EC did this last year for dairy production. But here again, the application of mandatory controls was an extremely contentious issue that created great disunity among members.

In the past, the CAP has often been referred to by the Europeans as "the glue which binds the Community together." However, it has clearly demonstrated its potential to be a divisive--and consequently a destabilizing--influence in Europe as well.

Certainly, the NATO Alliance would be ill-served by such an unstable situation.

Mr. Chairman, that concludes my statement. I will be glad to answer any questions you may have.

Senator **Pressler**. Thank you. I certainly want to welcome you here.

In introducing you, I pointed out that you had received the USDA Award for Distinguished Service and the Presidential Distinguished Executive Rank Award in 1984. I think you are one of our outstanding people in Government. I welcome you to this committee.

This morning, Ambassador Kirkpatrick said that we are at the end of an era, or of several eras, in our relations with Europe. But I think that the presentation you have made here is a very thought provoking one, because I think that when NATO was organized and when our relations with Europe as we know them today were reorganized in the late 1940's and 1950's, we looked upon ourselves to some extent as trading partners, but primarily as committed to helping Europe to rebuild.

I think some of the things that you have said here have been very dramatic. Just in the last 10 years, if I understood you correctly, Europe has gone from importing sugar to becoming the world's leading exporter of a certain type of sugar. Correct me if necessary and expand upon it, if you would. Are they currently the world's largest exporter of dairy products? Would that be correct?

Mr. **Smith**. That's correct.

Senator **Pressler**. This means that they are in direct competition with the United States.

Mr. **Smith**. There was an article in the Council on Foreign Relations magazine—Foreign Policy—earlier this year called, "A World Awash in Grain and Food." The point was that the Western democracies are just flooded in food and dairy products, yet it seems almost impossible to transport them, to even get them across the Mediterranean because of transportation problems, and so forth. This is a serious problem. The countries that have these surpluses of food also have subsidy programs which directly or indirectly encourage the production of more food.

It is really a phenomenal situation.

Senator **Pressler**. You mentioned the European subsidies and the export subsidies. In our relations with Europe, are we going to have to insist that GATT be followed more, or will there be some new trade agreement? I suppose one might say that our Food for Peace Program and our Export Enhancement Program are also export subsidies. Of course, we argue that our domestic farm subsidies are intended to reduce production, whereas theirs increase production. Our subsidies usually are tied to setting aside a certain number of acres.

I am introducing a lot of subjects here. In terms of comparing the two types of subsidies used, and on the issue of international trade law, are we as guilty as Europe is of subsidizing exports?

Mr. **Smith**. I think the best way to answer that is we both right now are in similar circumstances. Europe has very high support prices and they export by providing a subsidy because they could not sell it at the world market unless they subsidized it.

We have had in some products, for example in dairy, a price support traditionally way above the world market. But, rather than dump it on the world market, we, as I am sure you are well aware, have stored it and we have it stored all over the United States at very high cost.

We have elected not to dump it all on the world market and to compete, for example, with New Zealand, who does not subsidize.

We unfortunately, as a result of high-loan rates, which were passed at a time when we had inflation, and I think the outlook was that everybody thought inflation was going to continue—we now know that it has not—we passed loan rates that are now substantially above the world market price for most commodities. We first saw it in rice, and we are now something like 105 percent over the world market price in rice. Next came wheat, and we are now running anywhere from $30 to $40 over the Argentine price for wheat. We are seeing it in feed grains now from other competitors that are finding ways to get their price under our supports. Cotton is the most recent victim of this. The world price is now running anywhere from 5 to 7 to 8 cents above the world price.

The result of this has been a dramatic loss of markets.

The problem is that, maybe not very successfully, but we have tried to adjust our farm programs to reduce the surpluses by cutting production which, incidentally, I think causes us even more problems than competing internationally because we tend to find everybody fills in right behind us. But, that aside, we do try to cut production, and I think, for the most part, we do most of the storing in the world. We have become really the world's storage bin.

Europe has never worried about that. They just keep producing and producing, and they have a production machine in place which is stimulated by these high incentives. We have seen dramatic increases in their yields, and they continue.

As a matter of fact, there is very little concern even about quality. For example, in their wheat, what they are looking for is the highest yield they can get because they have a guaranteed market for it.

The result of this has been the dramatic numbers that I have given you, and any time you provide that kind of open-ended incentive, you get these huge production increases. The result has been that they have dumped it on the world market.

I think it has affected us in two ways. One is by closing down Europe as an import market. Of course, it affects our trade to Europe. The only product we can ship into there relatively freely is soybeans and soybean products, and we have some corn gluten going in, too, and those have done very well in Europe, as a market.

The second thing that people tend to forget, though, is that they have also closed the markets to many of our potentially large customers in the world, which are the less developed countries in the world. If we are going to see a resurgence in American agricultural exports, I think two things are going to have to happen. One is we are going to have to become price competitive again. It is a problem for us and we are going to have to become price competitive. Second, we are going to have to find a way to get better economic development in the less developed countries of the world because that is where the potential is for increased consumption. It is going to be very difficult to get increased consumption in the developed countries. In the United States, we probably eat too much already. So it is going to be very hard to get large increases in consumption.

Traditionally, as incomes rise in your developing countries, the demand for protein expands very rapidly. That is mainly satisfied through meat and dairy products. Tradition has shown that as they move into that mode and develop their own livestock industries, we benefit because we are the world's most efficient producers of corn and soybeans, which are the main ingredients that go into producing that protein.

But, unless there is economic prosperity in those countries, there is no way that they are going to be able to afford to buy those commodities or that consumers are going to be able to afford them.

The only way I know that they can prosper is through trade. We have to make sure they have an opportunity to trade. Therefore, when Europe cuts off their markets or starts competing with them, as in the case of sugar, which is an income earner for many of those countries, that affects us indirectly, but very dramatically in our ability to export.

Somehow, between us, we have to come to grips with this issue. There is no way that we can continue seeing this open-ended policy of production with no relationship to the market and continued dumping on the world market by the Europeans.

I am convinced that, in the end, what is going to bring some discipline to this is the realities of the budget, and I think they are already starting to feel the pinch in Europe. They are spending 60 percent of their budget on agriculture. This was, I think, all right as long as they were having economic growth and very little problems with unemployment and other social problems.

As you are aware, that has not been the case lately. Europe has been experiencing more problems. I think there are more demands on their budgets. People are starting to look at the costs of the agricultural program. We have helped them maintain their export subsidies by the strong dollar, and, also, our high support prices which, in essence, have reduced the amount of subsidy or export restitution that they need to pay.

Clearly, if we see some realignment in the dollar and we truly become competitive, our prices go to where they have to go to compete; this is going to put tremendous budgetary pressure on the Europeans, and I think they are going to have to deal with that.

What I am trying to say is unless they get this under control, it is going to become more and more difficult to make the adjustment within Europe that will have to come sooner or later. I think if it is not made soon, it can become a very, very divisive issue because what they are going to basically have to decide among themselves is who is going to produce and who is not. As you know, that can be a very difficult thing to resolve.

We are doing everything we can to try to convince the Europeans to move more toward a policy that relies more on the marketplace, with less use of subsidies, more discipline in the international marketplace. Of course, the administration is also trying to get a similar program or something equivalent to it here in the United States. We are struggling with it, too, as you well know.

Senator **Pressler**. Recently, I was with a group of Senators who had dinner with the mayor of Paris, Mr. Chirac, who may run for

President of France. He said, as I understood him, that he felt the greatest area of conflict, the greatest area of potential bitterness, the greatest area of foreign policy problems between the United States and Europe in the near future is going to be trade competition. Parenthetically, I might mention that he was the Minister of Agriculture at some past point in his career.

The European political leaders really see this as a touchy thing, and nobody really has a solution to it because the solution is to get back to base one, to phase out the domestic subsidies, to phase out the export subsidies. But to get that done is extremely painful politically, to put it mildly.

What is the worst case scenario that could affect our foreign policy with Europe? What is the worst case scenario that you see over the next 3 to 5, or let's make it 10 years, that could happen, and how could we avoid that?

Mr. Smith. If you look at any economic projections, no one is expecting a return to the boom years of the 1970's, where we had just unprecedented growth in demand for agricultural products, something which I think was fueled by some rather unusual circumstances during that period. There is nothing on the horizon that would lead one to believe that we can get out of this situation just by sheer demand pull. There is going to have to be adjustment on the production side.

If Europe persists in open-ended production with no controls on production and high incentives, and continues to dump the surplus on the world market, we are going to be in head to head competition for that period. We have already seen where we are starting to use subsidies ourselves on our export enhancement program to compete, particularly in markets where we feel the Europeans have dominated and have really knocked us out of these markets.

Once you start down that subsidy slope, it gets pretty slippery. It seems to me that if you continued down this road, it can lead to not only a very expensive journey, but one that is full of perils in terms of our relations.

To me, the sensible thing to do, and I think we both have to try to do this, and it is not easy, is to get away from the notion that you support farm income through prices, by artificially keeping prices up. I think when you do that, you run into all of these problems that both the United States and the European Community are experiencing.

One, you keep consumption down; two, you become noncompetitive and have to subsidize in order to export to the world markets; and three, and I think this is a very important fact, normally you do not benefit the people you set out to benefit with these programs. In Europe, they keep telling us that the reason they need their high price supports is to keep the small inefficient farmer on the land, particularly in Germany and in some of the other countries.

The problem is, when you keep your prices that high, those farmers are not getting the benefit of that high price. It is the efficient farmers that are, and they are the ones who are creating the major surplus production.

I think it makes a lot more sense if you want to keep the small, inefficient farmer for whatever reasons on the land, you should go ahead and pay him directly and keep him on the land that way, and allow the market to work for your large, efficient farmer.

We are hoping that they can move in that direction because, if they do, then they do not have to subsidize. Hopefully we will move in the same direction. Eventually we will have a rational system where decisions made by farmers on what they produce are going to be based on what they can sell to the market and not what they sell to government.

But short of that, I think we are headed for a major confrontation.

Senator **Pressler**. I think that is right.

I want to thank you for your testimony.

Why don't you just stay at the witness table, if you can. We had planned to have a panel here, and the second member of our first panel is Mr. Geza Feketekuty, counselor to the U.S. Trade Representative. In this capacity, he serves as senior adviser to the U.S. Trade Representative.

He has been at the Office of the Trade Representative for 12 years. He played a key role in coordinating U.S. participation in the Tokyo Round of Multilateral Trade Negotiations and in planning the next round of multilateral trade negotiations.

We are very pleased to have you with us. We ask you for your opening statement. If you could summarize as much as possible, we will put your entire statement in the record. Then I will have a few questions for both of you.

STATEMENT OF GEZA FEKETEKUTY, COUNSELOR, OFFICE OF THE U.S. TRADE REPRESENTATIVE

Mr. **Feketekuty**. Thank you, Mr. Chairman.

Senator **Pressler**. I hope I did not mispronounce your last name.

Mr. **Feketekuty**. Actually, you did quite a fair job.

Senator **Pressler**. Thank you. Please proceed.

Mr. **Feketekuty**. I understand that the focus of these hearings is to examine possible strains in the transatlantic economic relationship that could adversely affect the political cohesion of NATO. I intend to concentrate on the trade aspects of the economic relationship.

It is interesting to note that all of the European Economic Community members, who are members of NATO, now account for all except two of the European partners in NATO. So, in effect, when we are talking about NATO and Europe, we are talking about the European Community.

Your question about the state of our trade relationship is timely. Only over the last few months, we have seen headlines about confrontations between the United States and the Community in area such as pasta, citrus, grains, canned fruit, all subjects dear to the heart of my, colleague on this panel, Dick Smith, as well as steel, aircraft, and telecommunications equipment.

So, clearly, we have reached a fairly high point in tension in these areas. Over the coming months, I would expect a lot more headlines like that. They reflect longstanding trade disputes that have become more urgent in light of the broader trade problems that we have, as reflected in our trade deficit.

So, I would like to go over some of the important disputes later in my testimony.

Now, in the context of the fairly extensive trade that we have between Europe and the United States, these are probably mere pinpricks. With some common sense and good will, we should be able to find mutually acceptable solutions.

They have assumed their current political notoriety and press play largely because we have failed to resolve them for so long. So they have become irritants and symbols of broader deficiencies in the international trading system.

Now, beyond these specific trade disputes, there are underlying strains and difficulties between the United States and Europe, and I think it is worth looking at those as well.

As you look at the relationship between Europe and the United States, you are struck by the fact that we both have become so preoccupied with our own internal problems that we are spending less time trying to understand people on the other side of the Atlantic. As a result of that, we tend to talk past each other. At the same time, the overly cautious and defensive approach in Europe which people sometimes call Europessimism has led to such great frustrations among American policymakers that we have had a tendency to say, "the hell with you; let's worry about the Pacific."

I think that has been somewhat unfortunate, but has been natural result of a growing frustration with the more defensive attitudes in Europe.

It is important that we not turn our back on Europe, not only because Europe still remains a key element of our military alliance, but also because it is the key element underlying the functioning of the international economic system, including the GATT.

If we and the Europeans do not get along, we are not going to have a functioning GATT because both of us are just too big. If we fight it out, we are going to destroy the system. So, in a sense, we have to get along in order to make the system function.

Now, my current boss, Ambassador Yeutter, clearly recognizes the fundamental importance of our relationship with Europe. He has gone out of his way to build a good personal relationship with Willy LeClerq, who is the Commissioner for External Relations. They are sometimes on the phone daily. They are communicating, and that is very important.

Clayton Yeutter has also appointed one of our senior people to focus completely on Europe. Over the last few years, this person has tried to take care of both Japan and Europe, and that just turned out to be impossible. So we now have a senior member of our staff who is going to spend fulltime on our European problems.

When you look at the key issues—and I will go through them briefly—obviously, the most contentious one is in agriculture. I will not repeat what Dick Smith has said, but we have a long list of trade disputes in the agricultural area.

Another contentious area is steel. We have an agreement in effect with the European Community limiting their steel exports to the United States. This agreement was originally put together to offset the effects of the European subsidies and restraint programs. That agreement expires at the end of the year, and we are now in the middle of negotiations to renew the agreement. We are no-where near an agreement at this point. It is not clear whether we are going to be able to bridge the gap, and if we do not, we are going to be in a situation at the end of the year where we have to act unilaterally. That is going to create a certain amount of tension.

A third area of continuing dispute between the United States and the European Community is over export subsidies in areas other than agriculture, particularly use of mixed credits and subsidized export credits.

It is these practices that have led the President to propose to the Congress that we put together a $300 million war chest to be used in mixed credits of our own.

Here, again, we are doing the same thing as we are doing in agriculture—trying to play their game, in part, but hoping that we can put enough leverage, enough pressure on them so that they will negotiate with us to put limits on these kinds of practices.

A fourth area of growing friction is in the high technology area and, in particular, in trade of telecommunications equipment.

In most countries of the Community, telecommunications is still controlled by the PTT monopolies, and these monopolies have fairly restrictive procurement practices, where they only buy from the principal national firm in the electronic area. Usually they also have fairly restrictive standards practices.

The net result is that we do not sell telecommunications equipment in Europe, much as we do not sell it in Japan or other countries.

Since telecommunications is one of our really strong cards, this obviously is a source of great frustration and potential friction.

These are tough issues, but with some common sense and goodwill, these irritants can be resolved.

Obviously we will never be able to get the ideal solutions, and we have to be pragmatic on our part. But at the same time, Europe has to be willing to make adjustments in its policies where they have an impact on us. Sometimes they have been very reluctant to do that.

In the United States, we need to resist the protectionist pressures from various industries. Holding the line against such pressures is the counterpart and has to be the counterpart to our request that the Europeans reduce some of their long-standing trade distortive measures.

I am happy to say that this kind of deal is beginning to find acceptance. I recently attended a meeting of the executive committee of the OECD, and there was a great deal of discussion about the trade situation in Europe and the United States. I think the general consensus was that if the United States is able to hold the line, then Europe should be a bit more flexible and seek to accommodate some of the American concerns, in particular in the canned fruit area.

I suspect, however, as I said earlier, that the resolution of some of our trade conflicts and the building of a better relationship will depend on achieving a better understanding of mutual concerns and weaknesses and a willingness to take account of mutual feelings of vulnerability and insecurity.

Europe sees the United States as rich, strong, powerful, and competitive, and they just do not see the difficulty of our current situation that we have lost a lot of our competitiveness vis-a-vis the Pacific area, that we feel vulnerable, that we have a large trade deficit which has created serious pressures for many of our industries. So they are not always willing and ready to take account of the fact that we are not in the same strong position that we were immediately after the war.

On the other hand, we in the United States have reached the conclusion that Europe has recovered from the war, that they are prosperous, that they have achieved a high standard of living, and we see no reason why the Europeans should not face up to all of their problems. That is right, and we should be able to expect the Europeans to adjust their economy. But we also have to be sensitive to their own feelings of insecurity and vulnerability. We have to find a half-way house. We have to find an accommodation which has the Europeans saying yes, we admit that we have to deregulate, we have to open up our markets, we have to become more competitive, and that means opening up.

But at the same time we have to recognize that they need a little help here and there, that they may need to develop some internal cooperative efforts inside the Community, that they may need to get a little help from some of their governments—that they need a little bit of a crutch. I think we may need to recognize that that is essential for them in order to overcome their psychological feelings of insecurity.

Now, we have the same type of misunderstandings with respect to European unification. The Europeans have become dependent on strong support by the United States for European unification and perhaps at times in the past we were willing to make some allowances, recognizing the political difficulty of the unification process.

But, our view at this point is that they have now built their institutions, that they now should be standing on their own feet and whatever efforts they undertake to further enhance and develop the internal integration and unity of Europe should not be at our expense.

On the other hand, we tend to be quite jumpy every time the Europeans say they are going to get together to cooperate on research. What we tend to focus on is that it excludes us.

We have to accept a certain amount of effort in Europe to remove internal barriers, even if at that same time they do not always open it up to the whole rest of the world.

Now, in part our negative reaction is the result of the way the Europeans present the issue. They put it in terms of what they must do in order to better compete with the Americans, and they make protectionist arguments on the need to develop European markets for themselves. By making these arguments they undermine the positive case for European unification.

So again, we have to find a balanced approach where we in the United States recognize that the Europeans are going to be doing certain things with each other which may exclude us; but at the same time, the Europeans need to admit that they have to establish some long-term goals for liberalizing their trade with the rest of the world.

Now, all of these cross currents—Europeans feelings of vulnerability and their desire to achieve greater cooperation and liberalization on a European scale and American concerns about European tendencies to solve their problems at our expense—have a bearing on our frictions in the area of telecommunications.

Europe feels vulnerable because they feel they have lost out in the high technology race, that they cannot compete with the United States or Japan in areas such as computers, semiconductor chips, and so forth.

They feel that the way to catch up is to keep the European market relatively closed.

At the same time, they are trying to pump in a lot of government money at a European level, and to establish cooperative efforts that are largely European, excluding Americans.

We are obviously concerned about this European approach to things because, No. 1, we do not think it will work. There is no way that the Europeans can catch up in the high technology area on their own steam. The pace of technological change is much too rapid. The economies of scale that are involved are much too large for the Europeans to be able to duplicate all the research that we have done and that the Japanese have done and try to catch up with us. There is just no way they can do it. The only way they are going to be able to be competitive in the high technology area is if they import the best components and parts and inputs and try to develop world competitive products.

They are going to have to do that by picking and choosing and seeing where they can be competitive. But they cannot do it all.

The second reason that we are obviously concerned is because we are very competitive in these areas, and if we are closed out of their markets, then we have lost major export opportunities. It is obviously very important to us at a time when we are losing market share in a number of areas, because we have become less competitive in comparison with a number of countries in the Pacific.

So this is an area that is prone to future friction. In light of that friction, we have found it quite unfortunate that the Europeans have refused to talk to us about this particular area. At least in agriculture, despite all the groaning and moaning, we talk to each other. But here, in the telecommunications area, we have not been able to get the Europeans to join us in a common analysis of the issues either in the GATT, in the context of preparations for a new round, or in the OECD.

Senator **Pressler**. What reason do they give?

Mr. **Feketekuty**. They basically hide behind all kinds of empty excuses about saying there is nothing unique about this area so why should we focus on this area. But what they tell you privately, is that a discussion and analysis of the issues will show that they are closed, and that this will inevitably lead to the conclusion that they have to open up. So they say that they do not want to go down this road. They do not want to go down this analytical road because they know what the conclusion will be, that is, that they will have to change their policy.

Hopefully, through the more aggressive pursuit of this issue that the President has signaled in his speech and in his new program, the Europeans will come to the conclusion that they had better sit down with us and talk about it in a more rational fashion or we may take some actions in this area that they will not like.

Certainly, Senator, I am sure you followed the debate over the Danforth bill and a similar bill in the House.

[Mr. Feketekuty's prepared statement follows:]

PREPARED STATEMENT OF GEZA FEKETEKUTY

Mr. Chairman:

My name is Geza Feketekuty, and I am the Counselor to the United States Trade Representative. I am pleased that you have given us the opportunity to testify today.

I understand the focus of these hearings is to examine possible strains in the transatlantic economic relationship which could adversely affect the political cohesion of the NATO Alliance. I intend to concentrate on the trade relationships between the United States and the European Economic Community. All of our NATO partners in Europe, except two, will belong to the European Community when Spain and Portugal become members at the end of this year.

Your question about the state of our trade relationship is timely. Over the last few months we have all seen banner headlines in the newspaper on our trade disputes with the European Community, with reports of threats and counterthreats on items such as citrus, pasta, grains, canned fruit, steel, aircraft and telecommunications. Over the coming months I expect more of those headlines. They reflect longstanding trade disputes that have become more urgent in light of our broader trade problems as reflected in our large trade deficit. I would like to go over some of the more important disputes that preoccupy us at this time.

In the context of our extensive trade links these issues are mere pinpricks. With some common sense and goodwill we should be able to find mutually acceptable solutions. They have assumed their current political notoriety largely because we have failed to resolve them for so long, and they are seen as symbols of broader deficiencies in our means for resolving trade disputes.

Our trade problems with Europe go beyond the immediate disputes. In many cases, the specific issues are mere symptoms of more fundamental, underlying economic problems and the way we deal with those problems. Above all, both American and Europeans have become preoccupied with their own economic difficulties, and have become less willing and able to take account of issues on the other side of the Atlantic. Moreover, an overly cautious and defensive approach to economic problems in Europe, frequently referred to as Europessimism has led to growing frustration in the United States and a tendency to spend more time and energy on transpacific trade issues.

Over the last few years, both businessmen and policymakers in the United States have become increasingly preoccupied with economic relationships across the Pacific. This is understandable, because our trade with the countries around the Pacific rim has grown more rapidly than with any other area of the world. Moreover, the dynamic growth of these economies and the competitiveness of their industries have created valuable opportunities as well as serious problems which demand attention.

In paying increased attention to the Pacific, however, we cannot afford to turn our back on Europe and neglect our trade relationship there. Our economic relationship with Europe is clearly an important foundation of the NATO Alliance, which, provides our security shield and helps guarantee world peace. At the same time, European/American cooperation in trade is essential to the effective functioning of the GATT, the General Agreement on Tariffs and Trade, and therefore to the maintenance of an open world trading system.

With some common sense and goodwill on both sides, we should be able to arrive at mutually acceptable solutions.

Ambassador Yeutter has recognized the central importance of the trade relationship with Europe and he is prepared to make the necessary effort to strengthen it. He has developed a strong, personal relationship with Willy de Clerq, his counterpart in the Commission of the European Community and has assigned one of our senior negotiators, Jim Murphy, to work full time on our trade problems with Europe.

Let me outline, briefly, the key trade issues which we must address with the European Community.

The most contentious disputes understandably are over the effects of the Common Agricultural Policy on American farm exports. that started as a program to establish basic food security for Europe and to slow down the movement of farm workers to cities has become a program that generates huge surpluses that glut world markets for agricultural products. American farmers, who are among the most efficient producers in the world, have not only lost a substantial portion of the European market as a result of tariff levies, but have found themselves squeezed out of third markets as a result of subsidized European exports.

At this time the most troublesome agriculture trade issues with the European Community are the following:

Export Subsidies: The European Community grants export subsidies (restitutions) on many products. They fall into the broad categories of grains and grain-based products (livestock, livestock products, and prepared foods); dairy products; certain fruits, vegetables, and nuts; sweeteners; oilseeds; wine and other alcoholic beverages; and tobacco. The payments are usually based on the difference between the internal EC price and the lowest price being offered by competing exporters. For some products (pork, poultry, and eggs) the level of assistance is generally fixed every three months. For other commodities (grains) the level is generally revised weekly. Payments may be fixed at a different level for each destination.

Processing Subsidies for Canned Fruit: The EC pays subsidies to domestic producers of canned peaches and canned pears; these subsidies also benefit EC producers of canned fruit cocktail. The subsidies are based on the difference between import prices (duty-free) and calculated EC prices. This subsidy system tends to offset any competitive advantage imported products might have.

Tariff Preference for Citrus: The European Community (EC) maintains a system of tariff preferences on imports of specified products from a number of Mediterranean Basin countries. Imports of certain citrus products from the preference recipient countries currently benefit from tariff reductions ranging from 80 percent to 25 percent of MFN rates. Since MFN rates are relatively high, these tariff preferences significantly benefit recipient countries and place U.S. citrus exporters at a competitive disadvantage in the EC citrus market.

Meat Certification: An EC Third Country Directive, scheduled to become effective in about a year, requires that all processing plants exporting meat to the EC must be inspected individually by EC veterinary teams. So far, EC inspectors have examined about 400 plants and decided that none of them meets the minimum requirements of the Directive. Therefore, when the Directive comes into effect, none of the U.S. plants would be permitted to ship to the EC unless significant modifications are made and it is reviewed and approved. The U.S. simply approves a foreign country's certification system and allows all plants approved under that system to export to the U.S.

Licensing of High Quality Beef: The U.S. negotiated a 10,000 metric ton levy-free quota on exports of U.S. high quality beef with the EC during the Tokyo Round. This concession is monitored and regulated through a licensing system. The Commission is consistently late in opening the quotas, and issuing licenses at the beginning of the quota year, contrary to the understanding at the time of the negotiation.

Another contentious trade issue concerns exports of steel from the European Community. An agreement limiting European sales of steel to the United States expires at the end of this year and will need to be renewed. These restraints were originally put into effect in order to offset the effects of European subsidies in the steel industry, which created unfair competition for our own producers. Subsequently, the President initiated a broader, five-year steel restraint program, in recognition of the fact that all major steel producers in the world were restricting entry into their own markets. US and EC negotiatiors are far apart at this stage on an acceptable level of exports for the next few years, and if no agreement is reached by the end of the year we may have to impose limits on European steel imports unilaterally.

A third area of growing dispute between the United States concerns the use of subsidized export credits and politicized marketing of capital equipment. For example, EC member states, encourage export sales to LDCs by mixing "development" aid with export credit financing. There has also been an increasing number of instances where European governments have intervened politically with foreign governments when seeking to sell European aircraft, telecommunications systems and other major capital equipment.

A fourth area of growing friction is over European trade barriers in telecommunications. In most member countries of the European Community, telecommunications remains in the hands of national monopolies who limit the purchase of equipment largely to national firms and maintain discriminatory standards designed to exclude foreign producers. Since the telecommunications industry is one of our most competitive industries, it has become increasingly difficult to accept these barriers to our exports.

These are tough issues, but with a common sense approach and goodwill these irritants can be resolved. We cannot expect an ideal solution, but at the same time Europe must make some adjustments in policy measures that impose an unreasonable burden on US farms and industries. A mature transatlantic relationship requires mutual accommodation.

In the United States we need to resist rising protectionist pressures from various industries. Holding the line against such pressures, as in the President's recent decision on footwear, is the counterpart to our request that the Europeans reduce some of their longstanding trade distortive measures. Such a move on the part of Europe would not only benefit U.S. firms, but would bring the benefits of increased competition to European firms as well. In turn, were the United States to falter in the defense and promotion of a more open worldwide trading system, the trade system as we know it today would be seriously undermined, with adverse consequences to the economies on both sides of the Atlantic. It would undoubtedly also have an adverse impact on the functioning of the NATO Alliance.

I suspect that success in resolving many of our trade conflicts will depend on a better understanding of mutual concerns and weaknesses, and a willingness to take account of mutual feelings of vulnerability and insecurity. Europe sees the United States as rich, strong, powerful, and competitive, and frequently does not recognize that the growing trade deficit and loss of competitiveness to producers in Japan and the LDCs has made us feel vulnerable, and less able and willing to accept government policies in Europe which give their producers an edge over ours.

The United States sees Europe as a group of countries that has "caught up" with the United States in terms of the standard of living of its people and the development of its economy.

It is generally recognized in the United States that Europe is faced with economic problems, but we see those problems as the result of European policies that stifle economic change. Indeed, much has been written about Euroscelorosis, the remedy for which is deregulation, reduced protection, increased competition. While this is the appropriate remedy for the problem, we need to take account of European feelings of vulnerability and insecurity as a result of the current economic situation in Europe.

Another area of misunderstanding concerns European efforts to achieve a higher level of economic cooperation and integration inside the common market. The Community is justifiably concerned about the lack of recent internal progress towards further economic integration. Many non-tariff barriers continue to hinder the establishment of a unified market in such areas as telecommunications equipment, and companies in Europe have remained by and large national companies. European firms have therefore not been able to benefit fully from the economies of scale that could come from a European market. Indeed, it is said that the only truly European companies are American multinationals with operations all over Europe. It makes sense for Europe to establish European programs that will encourage a greater degree of cooperation or mergers among firms from the different member countries of the Community. Much of this effort unfortunately has a defensive and protectionist tone to it that leads Americans to become preoccupied with the fact that it excludes them.

There are some in Europe who believe that the United States should accept any adverse effects resulting from Community policies in recognition of our security relationship. That policy was acceptable to the United States in the early post-war period when Europe was rebuilding its war-devastated industries and in the first few years of the European Community when Europe was struggling to build new institutions. Today, Europe has rebuilt its industries and has prospered and the European Community has become institutionalized and is a going concern. What we should have now is a partnership between equals, with equal responsibilities for accommodating mutual interests.

We need to recognize the continuing validity of the goal of European economic integration. Europe needs to recognize the legitimate concerns of Americans that new cooperative efforts could become new instruments for keeping out foreign goods. What is needed is an approach in which Europe balances its initiatives to achieve greater cooperation in research, or to develop more common industrial standards, with a willingness to remove barriers towards the outside world. We, on the other hand, must recognize that not all European cooperative efforts that exclude us are to our detriment, so long as the Europeans give us a fair chance to share in their market. The new round of multilateral trade negotiations gives us an opportunity to establish a basis for expanding transatlantic trade opportunities at the same time as the Community makes further efforts to achieve a higher level of commercial cooperation and increased liberalization of barriers inside the Community.

All of these cross currents - European feelings of vulnerability and a desire to achieve greater cooperation and liberalization on a European scale, and American concerns about European tendencies to solve their problems at American expense - have a bearing on US/European trade frictions in high technology, in particular the new information technology industries. Europe feels vulnerable and insecure because it has fallen behind the United States and Japan in the development of the new microelectronic technologies, and has adopted protectionist policies in a number of key areas e.g., highly restrictive procurement and standards practices with respect to telecommunications equipment, high tariffs on semiconductors and computer parts. Europe has also developed new European high-technology programs such as ESPRIT and EUKEKA which Americans suspect could become instruments for introducing new protectionist devices. Finally, European governmnents are heavily subsidizing commercial development efforts in semiconductors and other areas.

Europe is right in seeking to overcome a continuing fragmentation of the European market in the high technology sector, and in particular with respect to the telecommunications equipment industry which has become the driving wedge for new growth. The development of stronger, more viable and competitive European firms, based on larger economies of scale, is in the long-term economic interest of the United States. However, European efforts are doomed to failure if they are based on a protectionist policy in Europe. By charging high duties on semiconductors and computer parts, Europe assures that its computers and telecommunications equipment will be less competitive. By protecting their telecommunications equipment industry, Europe has handicapped all of its companies that depend heavily on communications. Technology is moving ahead too fast, and the required economies of scale are too large for Europe to catch up through its own efforts. The only way Europe will be able to succeed is if it aims to compete in the world market, using the best imports it can from the rest of the world.

Europe has to recognize the futility of a protectionist policy, as much as it needs to recognize legitimate American commercial interests in exporting our most competitive goods to Europe. We, on the other hand, must be understanding of efforts to advance European cooperation and integration.

It is unfortunate that the Community has steadfastly refused to discuss liberalization of high technology trade in the GATT, in the context of preparations for a new round of multilateral trade negotiations, or in the OECD. The longer this impasse continues, particularly with respect to telecommunications equipment, the more political pressure will rise in the United States to exclude European products from the American market; this is bound to spill over to affect military cooperation in NATO. Moreover, a rising level of American frustrations in this area will make us less and less willing to understand European needs and problems.

There undoubtedly is a close relationship between high technology trade and various security-related issues such as strategic export controls, defense procurement, and common weapons systems in NATO. One of our own institutional failings is that we often find it difficult to achieve adequate lack of coordination between commercial trade policies negotiated by trade officials and security-related trade issues discussed within the defense community.

Another source of transatlantic friction concerns our different approaches to the adjustment of our basic industries, and government policies designed to cushion the social costs of adjustment. It is generally recognized that European governments tend, more than the US Government, to intervene in the adjustment process though a wide variety of domestic subsidies and social laws and regulations. Indeed, this greater degree of government intervention is widely seen as a principal source of Eurosclorosis. Both social regulations and government subsidies, by creating disincentives to the movement of labor and discouraging risk-taking by entrepreneurs, have prevented needed economic adjustments.

In the United States, European policies to cushion adjustment pressures in the basic industries through subsidies and import restraints are seen as an added burden on our industries which are struggling to adjust. Given the adjustment pressures on our industries from highly efficient new suppliers in Japan and the developing countries, our businessmen find it difficult to understand why they should also have to compete with European firms who are able to preserve their share of our market only through government support. If our firms have to adjust to a lower share of the market, why shouldn't we expect the same from European exporters? These considerations were central to the President's decision to implement US restraints on steel.

Europeans find it difficult to understand why they should reduce their steel exports to the United States. After all, they reason, it is the new suppliers, not they, who are the source of the problem.

What is needed here is a more comprehensive negotiation between the United States and the European Community in which the full range of policies affecting trade in steel can be discussed. Unfortunately we have found neither the means nor the political will to discuss the steel issue in this broader context. The result has been not only continuing frustration over the steel negotiations, but a failure to address how to get both our governments out of the steel business and return steel trade to the marketplace.

I should also say something about the impasse on agriculture. Agriculture is clearly a politically difficult subject on both sides of the Atlantic. We can no longer afford to postpone concrete steps to bring the growing surpluses under control and to begin a process of moving agricultural trade back toward a more market-oriented basis. In order to accomplish this objective the United States has to establish realistic goals, and the European Community has to become more willing to accept some limits with respect to those aspects of its policy that adversely affect farmers outside of the Community. We must also develop a better process for resolving our disputes over agricultural trade. The inability of the GATT system to resolve agricultural disputes with the European Community has severely damaged the credibility of the dispute settlement process in the GATT and eroded confidence in the GATT as a viable institution.

Up to this point we have considered transatlantic trade issues in isolation from the broader economic environment in which trade takes place. Clearly, trade problems are more difficult to resolve in the face of macroeconomic problems such as low growth, rising unemployment and serious balance of payments problems. In Europe, where the unemployment rate is at its highest level since the Depression, and few new jobs and businesses are being created, it is difficult to sell the idea that new jobs will leave from reducing barriers and increasing competition. In the United States, the large trade deficit has made it more difficult to resist pressures for protection and to be understanding of other people's problems. Clearly, if Europe and the United States could solve their respective macroeconomic problems, we would have a much easier time to solve the trade disputes.

This committee was right in focusing on the trade issue in its examination of NATO and the state of the Western Alliance. We must confront major differences in trade that have become a growing irritant in the transatlantic economic relationship and have reinforced mutual suspicions and frustrations. We have become increasingly fascinated and preoccupied with the Pacific, and, as a result of our frustrations with Europe, have not always done enought to understand Europe's concerns or to work with Europe to solve longstanding problems. We must not allow this to happen, because our relationship with Europe remains critical for both our global security and our economic interests. Europe, on the other hand, has become so preoccupied with its own internal problems that they have become overly reluctant to face up to trade problems vis a vis the rest of the world, and in particular with the United States. They must not allow themselves to become so internally focused that they lose the global perspective, even in difficult areas such as agriculture, telecommunications, and steel.

The new round of trade negotiations can help maintain a proper balance in Europe between efforts to advance European integration and global liberalization. It can help us both to achieve a better approach to economic adjustment in our basic industries and in furthering the expansion of trade in high technology goods and services. It can also enable us to fashion better international trade rules that will help avoid or to resolve disputes.

Europe and the United States continue to have much in common. Our disputes sometimes hide the fact that we continue to agree on many basic economic, political and philosophical ideas. These common ideas may have become a little shopworn and may have lost some of their original appeal, but we need to rediscover their meaning and application to the current world economy.

Senator PRESSLER. Yes; in fact, we are considering the textiles bill today, and that is occupying a lot of my colleagues' time.

Let me ask you to follow up on your point, both of you, about GATT. What about a new GATT round? I know that many of our allies have reservations about a new round of GATT negotiations. France, I understand, maintains that priority should be placed on international monetary reform, and although the EC is technically on record in favor of a new round, it is expected to be hesitant to move on agricultural issues that might jeopardize the so-called CAP, the common agricultural policy.

Do you expect that our most difficult United States-European agricultural trade issues will be resolved in a new round of GATT?

Mr. SMITH. Well, as I indicated before, we are hopeful, and it is practically the only game in town where you can try to resolve this contentious issue that we have on export subsidies. I have to be frank. Up until now, as my colleague says, we have been talking a lot, but we sure have not seen much forward movement, and there is not much to be encouraged by.

But I think it is such an important issue that we cannot allow it to stop.

I guess we are on two tracks. One is to try to bring reason to the GATT and hopefully get the kind of subsidies code that we need, and that would be the major focus of an agricultural negotiation. I think we would agree on that. It would be a subsidies code that brings discipline to agriculture.

The other track is we are making it known through words and deeds that we intend to be competitive in the world, and hopefully the former will prevail and we can resolve it by both of us going in the right direction; one in which the market decides what we sell and what we produce.

Mr. FEKETEKUTY. I would add just a slight shred of hope. I think we have seen a rethinking in France, and for one fundamental reason. The French farmers are losing out to inefficient German farmers.

Senator PRESSLER. Would you say that again. French farmers are losing out to more efficient German farmers?

Mr. FEKETEKUTY. To less efficient German farmers. In other words, as long as you have a high price inside Europe and you find that the way you have to control production is by some quantitative limits, the French will end up producing less than they might at a more competitive price because they are far more efficient than the German farmers.

Mr. SMITH. This is a very important development. It is the first time we have seen the efficient producers in Europe starting to look down the road, and they saw what happened in dairy, which was basically production controls. I think they are seeing kind of the same thing that we see in terms of the world, which is if that is the way you go, the efficient guy ends up really holding the bag. I think the French, and to some extent I think maybe the Dutch in dairy, are really seeing that if you go to a more market orientation, they will end up better off in terms of production and market share.

So we are starting to see some disunity in which way they should go. Do they go the production control route, or do they go toward lower prices?

It is ironic that the French, who have been probably at the forefront of doing anything under the GATT are now saying basically that maybe the way we ought to go is to allow the prices to seek world levels because we are the efficient producer and we will probably end up best on that basis.

Mr. FEKETEKUTY. Wasn't it the French in the last round who led the effort to reduce the price of grain?

Mr. SMITH. That's right.

Senator PRESSLER. I have a number of other questions on the Common Agricultural Policy that I will ask staff to submit to you to answer for the record, in the interest of time. I also have some questions in terms of some of the other commodities.

I will conclude with your political judgment about this next question. The 1973 oil embargo and subsequent aftershock to Western industrial democracies has led to greater economic competition between the United States and Western Europe. You have talked about that competition not only in agriculture, but in communications, in steel, and so forth.

Those conflicting economic interests are liable to increase rather than decrease, very frankly. I see nothing in the present trends to indicate anything but that things are going to get worse before they get better.

What will this mean in terms of our political relationships with the countries of Europe?

Mr. SMITH. Well, I clearly believe that if we do not get the Subsidies Code renegotiated and bring some discipline to the market and we end up with the alternative, which is basically both heavily subsidizing and continuing to produce without any restraints, that it has to lead to some rather serious strains. I might add that it probably is going to lead to some pretty serious internal strains because it is going to cost a lot of money to do that, and I am not sure either side can really afford it.

So I think clearly it is in everybody's interest to get some discipline into the world market. We both have to try to find ways to do that.

[Mr. Smith's responses to questions asked, follow:]

QUESTIONS AND ANSWERS ON U.S.-EC AGRICULTURAL TRADE ISSUES

QUESTION: 1. The Tension Between Economics and Security. It has been said that too often in the past divisive trade and agriculture issues have been swept under the rug in order to maintain political and military unity in NATO. Will the 300 or more trade-related initiatives currently pending, many of which contain protectionist measures, finally force the NATO allies to deal with this problem?

ANSWER: The role and value of NATO in maintaining the peace that has endured for four decades in Western Europe must not be ignored. It is important to keep in mind that were it not for the NATO security umbrella we might not have the luxury of concerning ourselves with trade and agricultural issues, we could be faced with a much starker reality in our international relationships.

In recent years, our recognition of the relationship between strategic and economic issues has been demonstrated by our now well established annual ministerial level meetings with the EC Commission in Brussels immediately following the annual NATO meetings in December of each year. Cabinet level officers not generally involved in security matters, including Secretary Block, have participated in these U.S.-EC ministerial meetings and help to demonstrate that our trade concerns, particularly in agriculture, cannot be easily or entirely separated from our mutual security concerns.

QUESTION: 2. Economic Issues Threatening NATO Unity. Do any of the issues currently facing the U.S. and its European allies truly threaten to undermine the NATO alliance or its missions?

ANSWER: Not now, but like any problem that is ignored, trade disputes could fester into serious problems that could ultimately threaten both the ability and willingness of the American people to continue to shoulder our mutual security burdens. With heightened protectionist attitudes, in many cases over legitimate trade complaints, we would be making a serious error in judgment if we assume that these problems can be isolated without ramifications for other important areas of U.S. international relationships. With the hardship currently being encountered by farmers across the United States, the political implications of agricultural trade issues are obvious.

QUESTION: 3. Recognition of the Problem. Do people on both sides of the Atlantic concur that economic differences may undermine NATO's political and military viability?

ANSWER: Clearly the United States and European countries have recognized the significance of our agricultural trade problems and are attempting to address them in a number of ways. Efforts through the GATT dispute settlement process, in the GATT Committee on Trade in Agriculture, in bilateral negotiations, and ultimately in a new set of multilateral trade negotiations, are all attempts to resolve these issues to keep them from mushrooming into matters of broader international concern. Obviously, these issues and negotiations are usually viewed primarily on their own merits rather than in a broader military or geopolitical context. But at the same time, the broader political considerations come into play when the contentiousness of any given issue begins to escalate to what might be considered a dangerous level from the point of view of our overall relationship.

QUESTION: 4. Will the Problem Become Worse? Given the greatly altered international economy, growing interdependence, imbalances in exchange rates, recovery and growth rates, do you expect the trade-offs between trade, agriculture, and security to grow more difficult to address? If so, where will the greatest problems lie?

ANSWER: It is clear that our agricultural trade dispute with the EC has become more serious over the past few years. While we are pursuing the avenues open to us for their resolution, we are not satisfied with the results of our negotiations thus far. Next year's Spanish and Portuguese accession to the EC and our ensuing negotiations over the trade ramifications for the U.S. of the accession will pose new problems which will have to be addressed. Of course, at USDA, agricultural trade issues are not considered as part of a trade-off with security interests. To the extent that such trade-offs occur, they are made at the interagency level where we are given ample opportunity to express agriculture's views and positions.

QUESTION: 5. How Serious is the Problem? How serious a threat does the Reagan administration consider these imbalances to be? Does it believe that NATO is undermined? If so, in what missions? does it also believe that our economy's viability is threatened by a continued European refusal to accommodate the U.S. on many trade and agricultural issues?

ANSWER: We do not play down the significance of our current problems with the EC. However, we also agree with those who state that the ties which bind the U.S. and EC are far stronger than the issues dividing us. We are not of the opinion that the foundations of our most important alliance are crumbling over these issues. While European refusal to accommodate us on our trade concerns is certainly exacerbating our current economic difficulties, it would be simplistic to identify them as the sole cause and alarmist to infer that the alliance is about to break up because of them. Nevertheless, we must continue to try to find answers to the underlying causes of our agricultural trade dispute so that the situation does not get worse.

QUESTION: 6. Solutions? Is the U.S. taking the lead in prompting a comprehensive discussion of the trade-offs inherent in our military and economic relationships?

ANSWER: As previously stated, USDA, through the interagency trade policy process, is pursuing solutions to our trade disputes with the EC, both bilaterally and through the GATT. The outcome of the next GATT round will be important in this regard. However, I cannot appropriately comment on developments in our military and overall economic relationships.

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Mr. **Feketekuty**. I think the solution really is for each of us to recognize that we have domestic problems that we have to deal with, and then to see that by working together, it might make it easier for each one of us to solve our own domestic problems. I think that is true in a number of areas.

It is certainly true in steel. I don't know whether Dick would share the judgment that it may also be true in agriculture.

It is creating a commonality of interests by saying that each of us has adjustment problems and we are going to find it easier to solve them by working together that is important.

Senator **Pressler**. I thank you very much.

I will call forward our next panel at this time, consisting of Mr. Richard Cooper and Mr. Robert Paarlberg.

Our second panel this afternoon is composed of those two speakers. Mr. Cooper will speak first and we welcome him here.

Mr. Cooper received his B.A. from Oberlin College, his M.S.E. from the London School of Economics, and his Ph.D. in economics from Harvard. He served as Under Secretary of State from 1977 to 1981. Before that, he was professor of economics and provost of Yale University.

Within weeks, his latest book will be published by M.I.T. University Press, entitled, "Essays on the World Economy." We look forward to that.

He is a frequent contributor to the most important journals in the field—"Foreign Affairs," "Foreign Policy," "The Quarterly Journal of Economics" and "World Politics."

Mr. Cooper is currently Maurits Boas Professor of International Economics at Harvard University.

I might also introduce Mr. Robert Paarlberg, from whom we will also hear as our second panelist. He is associate professor of political science at Wellesley College and research associate at the Center for International Affairs at Harvard University.

Mr. Paarlberg received his B.A. from Carleton College and his Ph.D. from Harvard's Department of Government. He has been a professor at Wellesley since 1976. Before that, he was in the U.S. Naval Reserve and the U.S. Senate as a legislative aide to Senator Vance Hartke. He has held Ford and Rockefeller Foundation fellowships and received grants for advanced study from the Institute for the Study of World Politics and the U.S. Department of State.

His most recent books are "Food in the Global Arena," and "Food Trade and Foreign Policy—India, the Soviet Union, and the United States."

We welcome you both and we will hear from Mr. Cooper first.

STATEMENT OF RICHARD N. COOPER, MAURITS BOAS PROFESSOR OF INTERNATIONAL ECONOMICS, HARVARD UNIVERSITY

Mr. **Cooper**. Thank you very much, Mr. Chairman. I am pleased to be here.

The issue that I was asked to address is whether the U.S. commitment to NATO has led the United States to sacrifice economic objectives over the years in its relations with Europe.

It is a difficult question because it automatically raises the counter question: Compared to what?

Certainly there are many aspects, and we heard about them from the two previous speakers, of economic policy in Europe that we Americans do not like, starting with the high-price supports for European agriculture and with the restrictions on their government procurement practices, especially as regards high-technology products.

But to observe we do not like such policies is not the same as showing that, except for our commitment to NATO, we could have persuaded the Europeans to reduce or remove these policies which we find offensive.

To get a real grip on the question, it seems to me that we have to ask what the world would have been like without NATO and how that would have influenced our trade with Europe. In other words, we have to postulate an "antimonde," to use a French expression, a kind of conjectural history without NATO. It is subject, I suppose, to the limits of the imagination.

I imagine four different kinds of antimondes, four different courses that Europe might have taken without the alliance commitment with the United States since World War II.

I will briefly go through these four antimondes and ask how U.S. trade relations would have fared under these different circumstances.

The first antimonde in the absence of NATO is a Communist dominated Europe. That possibility was widely feared in 1948; it is what motivated the Marshall Plan and it is in part what motivated the creation of NATO in the first place.

Under those circumstances, surely the whole pattern of world trade would have been radically different from what we observe. But I think we can be quite confident that that kind of Europe would not, in 1984, have purchased 46 billion dollars' worth of U.S. products, including 6.5 billion dollars' worth of agricultural products. In other words, we would have been much worse off in terms of our economic relations in that particular kind of counterworld, which seems remote today, but I would remind you it was a very live issue in the late 1940's.

A second antimonde or conjectural history involves a "Finlandized" Europe, suspended neutrally between the Soviet Union and the United States. The term itself, "Finlandization," is somewhat unclear and in some respects is objectionable. But I think it captures the idea of a Europe that might share the same values as the Americans do, as Finland does today, but which feels intimidated by the Soviet Union and therefore must be cautious on major questions of external policy. Austria today comes to mind.

The United States exports proportionally less to these neutral countries, Finland and Austria, than we do to the European Community. There is nothing in a Finlandized Europe that would prevent the creation of a common agricultural policy. But, in fact, I would conjecture that, under these circumstances, the European Community would not have been formed at all. It is worth remembering that it came into being in the late 1950's with strong encouragement from the United States, but over strong objections from the U.S.S.R. We can, therefore, plausibly assume that in this antimonde there would have been 10 independent agricultural policies, rather than a common agricultural policy.

Some of those national agricultural policies, like Britain's before 1973, were relatively open to trade, although in that case oriented toward commonwealth countries. Others, like German agricultural policy, were much more protectionist than the CAP is now. And others were in between, like the Benelux countries.

European incomes would probably have been lower under these circumstances, and hence their total imports would have been lower. But exports would have been lower, too.

United States concern under these circumstances about maintaining European independence and economic viability would very likely have led to less tough bargaining with Europe than, in fact, took place over the last 30 years. I note that the trade concessions we have made, both to developing countries, with which we have no alliance, and to Israel, with which we have no formal alliance, offer examples of a political influence on trade issues.

My third antimonde is, in a sense, the opposite of that. It is a third force Europe, a European superpower, a strong Europe, unaligned formally either with the United States or with the Soviet Union, with an independent nuclear deterrent and a strong sense of European identity. This was the Europe which many Europeans imagined as desirable in the mid-1950's, when they created the European Common Market in the first place. This was the aspiration of a number of European leaders at that time.

Now, it is probable, under these circumstances, that the European Community would, have been established, at least if the Europeans saw their future economic well-being improved by acting together, which is likely. They would have formed the EC and they would have had a common agricultural policy.

Very likely also, it would have been a more restrictive, and not a less restrictive common agricultural policy, since the early European reluctance to participate in the last two trade rounds, both the Kennedy round of the 1960's, and the Tokyo round of the 1970's, is well known. In each case, they really followed U.S. leadership into these rounds, at first dragging their feet. Later they became somewhat more enthusiastic about them.

So one could plausibly argue that it was because of the NATO alliance, rather than in spite of it, that we had the two major rounds of trade liberalization that we had in the 1960's and the 1970's.

My fourth antimonde is a Europe which is aligned with the United States but not engaged in a formal alliance with the United States—that is to say, there would be close political and even military relationships, exchange of intelligence, for example, but without the formal alliance commitment that NATO provides and without the military command structure under NATO auspices.

The United States would consider that its first line of defense to the East is Europe, and the United States would be concerned with the economic viability and the political stability of Europe, as it is today.

It is not clear to me that this scenario would differ markedly in the relevant features for us from what we have today, with the formal alliance. It is NATO without the alliance, so to speak.

To sum up, my conclusion is that, compared with the broad alternatives which were seen as being possible in the late 1940's, or the mid-1950's, the United States is not worse off in its trading relations with Europe as a result of our commitment to a military alliance with the European countries. On the contrary, if anything the presence of NATO has possibly tipped the balance in favor of the United States, at least in terms of launching major rounds of trade negotiations.

That is all conjectural.

What happens if we look at the actual record of performance?

Certainly our exports to Europe over the past quarter century did not suggest any damage as a result of NATO. The European Community in 1958, its first year, included only six countries. Britain, Denmark, and Ireland had not yet joined, but the figures I am going to give you include them. They exclude Greece but they capture the main picture. The comparisons all include Britain.

In 1958, the United States exported to Europe, that is to say, to the nine major countries of the Community, 3.9 billion dollars' worth of products, of which one-third, or $1.3 billion, were agricultural products. These exports to Europe represented 21.8 percent of total U.S. exports.

By 1984, U.S. exports to the same nine countries, the European Community minus Greece, totaled $45.1 billion out of a global total of $217 billion. U.S. exports to Europe in 1984 amounted to 20.8 percent of total U.S. exports, marking only a slight decline in the share of U.S. exports going to Europe over more than a quarter of a century.

Senator PRESSLER. For what year was that first line of figures?

Mr. COOPER. The first year was 1958, the first year of the Community, before the common tariffs had all been eliminated. The European Community started in January 1958, so it was the first year of the Community.

Senator PRESSLER. So the total percentage has stayed about the same?

Mr. COOPER. It has stayed about the same over this entire quarter century. In fact, it went up slightly in 1980. The U.S. exported $53 billion to Europe in 1980, which represented 24 percent of U.S. exports.

So over the period 1958–80, the share of our exports going to Europe actually increased slightly, it has decreased slightly since 1980, back to about the level that it was in 1958.

It is worth noting that in 1984, Europe was having a difficult time economically, although no worse than 1983. These last few years have been very bad for Europe, with unemployment hovering at just under 10 percent. So Europe is in an economic slump, with low rates of investment. In spite of that, Europe took nearly 21 percent of U.S. exports.

We did rather better in 1980, which reflected a weaker dollar than was the case in 1984, and a stronger Europe.

These figures do not suggest that U.S. exports have fared worse with respect to NATO countries than they have generally fared in the world at large, despite the fact that the European market, by which I mean total European income, has grown less rapidly over this same period of time than total income elsewhere in the world. One would have expected on the basis of relative growth rates that the share of U.S. exports going to Europe actually would have declined over this period. We have seen, in fact, that they stayed about the same.

That is total exports. Agricultural exports did not show the dramatic twelvefold increase that total U.S. exports to Europe showed over this period of time, either to Europe or to the rest of the world.

Agricultural exports to Europe reached just under $9 billion in 1980, before slumping to $6.5 billion last year.

In 1984, they still represent five times the level of exports in dollar terms that they were in 1958, and that shows only about half the rate of growth of our agricultural exports to the rest of the world, which increased nearly tenfold between 1958 and 1984. That reflects the growing demand for imported foods, especially in many developing countries, which, in turn, reflects the poor agricultural policies that they had up until about 5 years ago.

I conclude that Americans have done quite well in their sales to Europe despite our frustration with some European policies and practices, and that we would have done no better—indeed in my judgment we would probably have done considerably worse—in the absence of NATO. Therefore, I do not believe that the U.S. commitment to NATO has led the United States to be soft in its bargaining with Europe, compared to the likely alternatives.

Thank you, Mr. Chairman.

Senator **Pressler**. Thank you very much.

Mr. Paarlberg, may we hear your opening statement?

STATEMENT OF ROBERT L. PAARLBERG, ASSOCIATE PROFESSOR OF POLITICAL SCIENCE, WELLESLEY COLLEGE, AND RESEARCH ASSOCIATE, THE CENTER FOR INTERNATIONAL AFFAIRS, HARVARD UNIVERSITY

Mr. **Paarlberg**. Yes, Mr. Chairman. Thank you.

I believe my remarks will complement Professor Cooper's remarks nicely.

I, too, would like to challenge the notion that U.S. foreign economic policy interests in Western Europe are somehow in conflict with U.S. diplomatic and security interests. I will talk specifically about the area of agriculture and agricultural trade.

What I have to say might be controversial among some U.S. agriculturalists. Many U.S. agriculturalists believe they could be doing much better in their farm trade battles with the European Community if only the U.S. Government, and specifically the U.S. State Department, were less concerned about the danger of antagonizing our Western European allies.

If it were not for this diplomatic inhibition, they believe, the U.S. Government might be more willing to match some of the aggressive farm trade practices of the European Community export subsidy for export subsidy, import restraint for import restraint, and, thereby, guarantee U.S. farmers a larger share of the world's food trade spoils.

For fear of undermining the NATO alliance, these people believe, the United States is fighting its farm trade war with the European Community with one hand tied behind its back.

My purpose this afternoon will be to show why U.S. agricultural trade interests in Western Europe are, in fact, not in conflict with U.S. diplomatic and security interests. They are not in conflict because these U.S. agricultural trade interests would be harmed, rather than helped, if the United States were to adopt a more aggressive farm trade policy stance toward the Community.

The sad truth is that if the United States were to cast aside all of its diplomatic inhibitions and initiate an all-out agricultural trade war with the European Community, the United States would probably lose such a war. The consequences for U.S. agriculture would be adverse, entirely apart from the diplomatic and security consequences.

There are at least three separate reasons why the United States could expect to lose a farm trade war with the European Community.

First, U.S. farm budget constraints are at the moment much tighter than EC budget constraints.

Second, the existing U.S. farm export markets that would have to be defended are much larger than existing EC markets.

Third, U.S. farm exports to Europe are more vulnerable to bilateral European Community retaliation.

I will go through these one at a time, quickly.

First, U.S. farm budget constraints are obvious enough. The version of the 1985 farm bill that was recently drafted by the Senate Agriculture Committee is $19 billion over budget guidelines, even though it contains no substantial funding for waging an export subsidy war against the European Community. It is not clear to me where the additional funds needed to wage such a war would come.

Even without the added expense of an export subsidy program, the U.S. Government has now nearly exhausted its ability to provide extra funds for its agricultural programs.

Over the last 4 years, an all-time record $53 billion was spent by the U.S. Government for domestic farm commodity programs alone. That is more than a 200-percent increase over the large outlays of the previous 4-year period.

It used to be said that the United States could hope to win an export subsidy war with the European Community because we have "deeper pockets." Those pockets might be deeper, but they have recently been emptied.

If you look at the European Community end of the problem, you see further reason to doubt that we could prevail in a dollar-for-dollar export subsidy war. The acute European Community farm budget crisis, which was at its peak just 2 years ago, has now significantly abated. Thanks to an agreement that was reached last year within the Community to increase member country financial contributions from the 1 percent of value-added tax receipts maximum to a 1.4 percent of value-added tax receipts maximum, a new reservoir of funds has become available to the European Community for agricultural programs.

Within only a few years, perhaps the European Community will, once again, find its farm budget bumping up against this new ceiling. The sooner the better as far as I am concerned, because internal budget constraints will be the only effective stimulus to internal common agricultural policy reforms. But, for the moment, the

European Community is well enough prepared to finance an escalating export subsidy war against the United States.

There already exists within the European Community a political consensus to support the lavish use of farm export subsidies, and if the United States were to provoke the Community with a more determined export subsidy campaign of its own, the resulting appearance of a hostile foreign challenge to the common agricultural policy might only strengthen that existing EC consensus and turn loose additional funds.

Even if the United States could find the financal resources that it would need to wage an effective export subsidy war against the Community, it would still find itself at a serious relative disadvantage.

This is because the United States would start an export subsidy war with much larger existing foreign markets to defend. In wheat markets, the United States still outsells the European Community abroad by a ratio of almost 2 to 1. In coarse grain markets, the United States outsells the Community by a ratio of 6 to 1.

Simply to protect these larger existing foreign markets, the United States would therefore have to spend roughly two to six times as much as the Community on export subsidies.

If, instead, the United States decided to target only some of its foreign markets with export subsidies and not others, it would only displace European Community exports from one contested market covered by U.S. subsidies to another contested market that we had left uncovered. The United States would produce some trade shifts with these targeted export subsidies, but it would produce few trade gains.

A recent example is seen in the European response to the targeted sale of 1 million tons of United States wheat flour to Egypt 2 years ago, under a heavy payment in kind export subsidy. French wheat flour was momentarily displaced from the Egyptian market by this costly United States subsidy, but offsetting European Community sales of wheat as well as wheat flour were soon being made in a variety of neighboring markets in North Africa and in the Middle East, and eventually in more distant markets as well, in Latin America and in China, markets that the European Community had previously conceded to the United States.

In fact, by the end of the year—this was 1983—the European Community had even recovered a part of its Egyptian market by increasing its own wheat flour export restitution payments by 10 percent, enough to grab a part of the Egyptian market back from the United States.

The tenacity of the European Community in these matters is not to be underestimated.

Consider the European Community response to a more recent U.S. effort to target its sales into the Egyptian market under the provisions of the new 1985 payment in kind bonus enhancement program.

Responding to the first United States sale of wheat to Egypt under this program just last month, the European Community has now increased by 30 percent its own export restitution payments on soft wheat sales, not only to Egypt, but also to Algeria, to Tunisia, and to Syria.

There is finally a third reason why the United States could expect to lose a farm trade war with the European Community.

Even if the United States could somehow manage to prevail in an export subsidy competition, the European Community could still retaliate directly against bilateral U.S. farm sales to the Community.

Last year, as Professor Cooper indicated, the European Community imported 6.7 billion dollars' worth of U.S. farm products, including large quantities of U.S. soybeans and U.S. corn gluten feed, products which presently enter the Community without restrictions.

In an all-out farm trade war, in which everyone's GATT obligations would likely be set aside, the European Community might not hesitate to place quota or duty restrictions on these substantial U.S. farm imports.

The European Community could do so with no fear of any comparable U.S. retaliation, since total U.S. farm purchases from the European Community are only a bit more than $3 billion, or less than half as large. We would stand to lose more than twice as much to lose in an import restriction competition with the Community.

The European Community could also cut off purchases from the United States without any added costs to the European Community budget. In fact, retaliating against farm purchases from the United States would be an enormous money saver for the Community budget. By purchasing fewer feed substitutes from the United States and by feeding more of its own domestic grain surplus to livestock, the European Community could reduce its grain surplus and eliminate one of its major budget headaches.

There are, in fact, some European Community officials who would welcome any trade war provocation from the United States that might give them an excuse to close this GATT loophole for feed substitute imports. If the United States were to threaten the Community with an all-out trade war, the response from these European Community officials might be, "go ahead, make my day."

My argument then is straight-forward. Even if the United States did not care about smooth diplomatic relations with its NATO allies, even if there were no North Atlantic Treaty Organization, there would still be no good reason for the United States to launch a farm trade war against the European Community because the United States could very likely lose such a war.

If diplomatic inhibitions are preventing U.S. trade policy officials from launching such a war, then I believe the interests of U.S. agriculture are probably being helped rather than harmed.

This does not mean that the U.S. Government should do nothing to protect U.S. agriculture from the illiberal trade practices of the European Community. The U.S. Government can counteract the aggressive farm trade policies of the European Community, but in a more effective, less costly, and less provocative fashion, by bringing down U.S. dollar exchange rates in order to restore the competitive posture of U.S. farm exports worldwide.

Here I am simply endorsing the sound advice that was already offered by Richard Smith earlier this afternoon.

Lower dollar exchange rates and more competitive U.S. farm export prices would force the European Community to spend more on farm export restitution payments. This would push the European Community more quickly back into the kind of internal budget crisis that will, in turn, prompt common agricultural policy reform.

The EC Commission has itself recognized that lower dollar exchange rates would automatically mean higher EC farm budget outlays. The EC Commission estimates an automatic $1 billion ECU cost increase within the Community for every 10 percent decline in the value of the dollar against the ECU. This is where the real leverage of the United States over the common agricultural policy can be found.

If the United States honestly wants the common agricultural policy to change, it should not launch a self-defeating farm trade war, since that would be leading into their strong suit. The United States should instead reverse the course of its own domestic macroeconomic policies which have kept the dollar high and which have, therefore, made the common agricultural policy more affordable than it ought to be to the European Community.

Thank you.

[Mr. Paarlberg's prepared statement follows:]

AGRICULTURAL TRADE CONFLICT WITH THE EUROPEAN COMMUNITY: IMPLICATIONS FOR U.S. FOREIGN POLICY

Statement of Robert L. Paarlberg
Associate Professor of Political Science
Wellesley College

I will take this opportunity to challenge a critical assumption about U.S. agricultural trade conflict with the European Community. This is the assumption that U.S. agricultural trade interests in Western Europe are somehow in conflict with U.S. diplomatic and security interests. I believe this is a widespread assumption. Many agriculturalists here in the U.S. are convinced that they could be doing better in their farm trade conflict with the European Community if only the U.S. Government (and specifically the State Department) weren't so fearful of antagonizing a few of our Western European allies. If it weren't for this diplomatic inhibition, the U.S. Government might be more willing to match the aggressive actions of the EC, subsidy for subsidy, import restraint for import restraint, to guarantee U.S. farmers a larger share of the world's food trade spoils. For fear of undermining the NATO alliance, it seems to many observers, the U.S. is fighting the farm trade war with one hand tied behind its back.

My purpose this afternoon will be to show why U.S. agricultural trade interests in Western Europe are not in conflict with U.S. diplomatic or security interests. They are not in conflict because these U.S. agricultural trade interests might be harmed, rather than helped, by a more "aggressive" U.S. farm trade policy stance. The sad truth is, if the U.S. were to cast aside its diplomatic inhibitions and launch an all out farm trade war against the EC, it would lose such a war. The consequences for the U.S. farm sector would be adverse, entirely apart from any diplomatic or security costs involved.

Presented to the European Subcommittee, Senate Foreign Relations Committee, October 3, 1985.

There are at least three separate reasons why the U.S. could expect to lose a farm trade war with the EC: 1) tighter farm budget constraints, 2) larger existing farm export markets, and 3) larger bilateral farm export vulnerability.

U.S. farm budget constraints are obvious enough. The version of the 1985 farm bill that was recently drafted by the Senate Agriculture Committee contains no "war chest" for waging an export subsidy war against EC, but it is still $19 billion over budget. Even without the added expense of an export subsidy program, the U.S. Government has nearly exhausted its ability to provide more funds for agriculture. An all time record $53 billion was spent on commodity program benefits alone between 1981 and 1984, a 200 percent increase over the record outlays of the previous four year period. It used to be said that the U.S. could win an export subsidy war against the EC because it had "deeper pockets." Unfortunately, those pockets have recently been emptied.

Meanwhile, the acute EC farm budget crisis that was at its peak just two years ago has now temporarily abated. Thanks to an agreement that was reached last year to increase EC member country financial contributions from a 1 percent of VAT receipts maximum to a 1.4 percent maximum, a new reservoir of farm budget funds has become available. Within only a few years, perhaps, EC farm spending will again be bumping into this new higher ceiling (the sooner the better, since internal budget constraints are the only effective stimulus to CAP reforms). But for the moment the EC is well enough prepared to finance an escalated export subsidy war. There already exists within the EC a political consensus to support the use of lavish farm export subsidies. If the U.S. were to provoke the Community with a more determined export subsidy campaign of its own, the appearance of a hostile foreign challenge to the CAP might only strengthen this consensus.

Even if the U.S. could find the financial resources it would need to wage an effective export subsidy war, it would still find itself at a relative disadvantage.

This is because the U.S. would start the war with larger existing foreign markets to defend. In wheat markets, the U.S. still outsells the EC abroad by a ratio of almost 2 to 1. In coarse grain markets the U.S. outsells all of Western Europe by a ratio of almost 6 to 1. Simply to protect these larger existing foreign markets, the U.S. would have to be prepared to spend roughly this much more than the EC. If instead the U.S. targetted only some of its foreign markets with subsidies, and not others, it would only displace EC exports from one contested market covered by U.S. subsidies into another market that had been left uncovered. The U.S. would produce some trade shifts with targetted export subsidies, but few trade gains.

A recent example is seen in the European response to the "targetted" sale of 1 million tons of U.S. wheat flour to Egypt, two years ago, under a heavy "payment in kind" export subsidy. French wheat flour was momentarily displaced from the Egyptian market by this costly U.S. subsidy, but compensating EC sales (of wheat as well as wheat flour) were soon being made in a variety of neighboring markets in North Africa and the Middle East, and eventually in more distant markets as well, in Latin America and China, markets which the EC had until then conceded to the U.S. By the end of the year the EC had even recovered a part of the Egyptian market, by increasing its own wheat flour export restitutions by 10 percent, enough to grab some of Egypt's business back from the U.S.

The tenacity of the EC in these matters is not to be underestimated. Consider the EC response to a more recent U.S. effort to target subsidies on the Egyptian market, under the new provisions of the 1985 "payment in kind" export bonus program. Responding to the first U.S. sale of wheat to Egypt under this program just last month, the EC has now increased by 30 percent its own export restitutions on soft wheat sales to Egypt, and also to Algeria, Tunisia, and Syria.

There is finally a third reason why the U.S. could expect to lose a farm trade with the EC. Even if the U.S. could somehow manage to prevail in an export subsidy competition, the EC could still retaliate against U.S. farm sales now being made directly to the Community. Last year the EC imported $6.7 billion worth of U.S. farm products, including large quantities of U.S. soybeans and corn gluten feed, products which presently enter the Community duty free. In an all out farm trade war (in which everyone's GATT obligations would likely be set aside), the EC might not hesitate to place quota or duty restrictions on these substantial U.S. imports. The EC could do so with no fear of any comparable U.S. retaliation, since total U.S. farm purchases from the EC are less than half as large. And the EC could also do so without any added budget cost. In fact, retaliating against farm purchases from the U.S. would be an enormous money saver for the Community budget. By purchasing fewer feed substitutes from the U.S., and by feeding more of its own domestic grain surplus to livestock, the Community could reduce that surplus, and eliminate a major budget headache. There are no doubt some EC officials who would welcome any trade-war provocation from the U.S. that might increase their freedom to close this GATT loophole on zero-duty feed substitute imports. If the U.S. threatened the Community with such a provocation, the response might be, "Go ahead, make my day."

My argument, then, is straightforward. Even if the U.S. did not care about smooth diplomatic relations with its NATO allies, there would be no good reason to launch a farm trade war against the European Community. If diplomatic inhibitions are preventing U.S. trade policy officials from launching such a war, then the interests of U.S. agriculture are probably being helped rather than harmed.

This does not mean the U.S. government should do nothing to protect U.S. agriculture from the illiberal trade practices of the EC. The U.S. government can counteract the aggressive farm trade policies of the EC in a more effective, less costly, and less provocative fashion by bringing down U.S. dollar exchange rates, to restore the competitive posture of U.S. farm exports world wide. Lower dollar exchange rates and more competitive U.S. farm export prices would force the EC to spend more on export restitutions. This would push the EC more quickly back into the kind of internal budget crisis that will, in turn, prompt CAP reform. The EC Commission has itself recognized that lower dollar exchange rates would automatically mean higher EC budget outlays; it estimates an automatic 1 billion ECU cost increase for every 10 percent decline in the value of the dollar against the ECU . This is where the real leverage of the U.S. over the Common Agricultural Policy can be found. If the U.S. honestly wants the CAP to change, it should reverse the course of its own domestic macroeconomic policies, which have kept the dollar high, and which have postponed budget pressures within the EC for a much-needed CAP reform.

Senator **Pressler**. Thank you for that very excellent statement. That really analyzes a lot of the issues in a fashion that we need to think about very deeply.

Let me ask you both this question. Is the European perspective on the tradeoffs inherent in trade, agriculture, and NATO policies fundamentally different from the American perspective, and, if so, why? In other words, do the Europeans look at these problems differently than we do, or do they see them pretty much the same, those who are analyzing them.

Mr. Cooper.

Mr. **Cooper**. It is hard to answer that question because of course there are some differences and many similarities.

I suppose the most important difference, starting point difference, which applies less to agriculture than to other products, is that the European countries are much more dependent on trade than the United States is. So they have been historically more sensitive to trading relations generally than the United States has been. For that reason, in spite of the practices which you heard about earlier today from our representatives from USTR and from agriculture, the Europeans are sensitive to maintaining a relatively open trading world.

They have gotten themselves caught for reasons that are historically understandable, but that does not make it any more pleasant to live with it, with a common agricultural policy which, as Richard Smith said, has high price supports and no production controls.

It is worth noting that there has been a dramatic transformation of European agriculture in terms of the number of people who have moved out of it. It is not as though adjustment has not taken place in European agriculture. The number of European farmers is way down from what it was in 1958, when the Common Market began.

So adjustment is taking place. But agricultural productivity has been undergoing a revolution everywhere, including in Europe. Agricultural productivity has grown even more rapidly than they have been able to move farmers off the land. The consequence is the surplus production that we are living with and the restitution payment system on exports, and so forth.

To come back to your question, I would say that I do not see a really fundamental difference between the way Europeans view trade and the way Americans view trade, and to the extent that there is such a difference, Europeans tend to be more, rather than less, sensitive to the importance of trade for their economies than Americans do.

Mr. **Paarlberg**. I would just add that in the area of agriculture specifically, the European Community is slowly gaining a perspective closer to that of the United States because it is on the way toward assuming a trade posture similar to that of the United States.

The common agricultural policy has transformed the European Community from a net importing region to a net exporting region in one agricultural product market after another.

As the European Community becomes a net exporter, it finds it cannot protect the high internal price guarantees that were once affordable to the European Community budget.

When you are a net importer, you can protect high domestic price guarantees by collecting taxes on foreign imports. That earns money. If you are a net exporter, you have to protect high internal price guarantees by paying out export subsidies. That costs money.

So, as the European Community moves inexorably from its net importing status to its net exporting status, the cost of its policy will automatically increase, and it will begin to acquire a perspective on the cost of agricultural policies and on the role of international trade perhaps closer to that of the United States.

Senator PRESSLER. What would your judgment be on how hard we should push for a new round of GATT negotiations? And what would be the main goals of our European allies if we did have a new GATT round? Will any of these issues be particularly sensitive in terms of the NATO relationship? If so, what might be done to minimize the political strain?

Mr. COOPER. I think that having a new round of trade negotiations is desirable. But I also think there is considerable merit in the view that has been taken by the Europeans that before we launch a round, we ought to have a clear idea of what we want to come out about it. The U.S. strategy has been to launch a round of negotiation and then decide what we want out of it. Some Europeans have taken the view, at least recently, that they do not object to a round, but we should do some more preparatory work first, so that we have a clearer idea of what we want to come out of it.

It seems to me that that has a certain logical merit to it.

The other linkage that the Europeans have made, in particular the French, is to monetary issues. This, it should be noted, is an age-old French linkage. For at least two decades the French have linked trade and monetary issues. The United States, for an equally long period of time, has resisted that linkage.

If I can put it in an oversimplified way, I believe the French are strategically right, but the United States is tactically right on this issue. As a practical matter, one cannot introduce monetary factors into a set of trade negotiations; but the French are right in that we cannot pretend that monetary developments of the type we have experienced over the last 5 to 7 years have no bearing on trade issues.

I therefore welcome very much the move 10 days ago by the G-5 and Secretary Baker's announcement that the markets after all may not know best when it comes to the value of the dollar and that there is a national interest in getting the value of the dollar down—a view which is shared by our leading trading partners. Some kind of rectification in the monetary area should take place in parallel with, but not joined with, the trade negotiations.

Now, as to what we should expect to get out of these negotiations: Average tariff levels among the major players—Europe, Japan, the United States, and Canada—are quite low now. There are still some high tariffs and those ought to be negotiated down. But the main content of the negotiations, as far as the major industrial countries are concerned, has to be in things like agricultural policy, subsidy policy, how one manages what is loosely called industrial policy, in a trading world, and services, which are not now covered by the GATT, and on which there is now agreement among the industrialized countries that trade rules should be developed.

There is a whole different set of issues with respect to the developing countries, but they bear only indirectly on NATO.

The bearing of another major round of trade negotiations on NATO is the indirect one which arose in previous rounds of trade negotiation: once it is launched, then a failure would become a political black eye for the alliance. In my experience, and I have had some personal involvement now in two rounds of trade negotiations, both in the Kennedy round and in the Tokyo round, the negotiations really proceed on their own track. Trade officials are quite different from national security officials, and the trade officials have their own agenda and get fully immersed in the trade issues. But when it comes to the possibility of a breakdown in the negotiations, or if they are stalled in a serious way, presidents and prime ministers begin to take an interest in it, and their interest is less in the detailed trade issues than in the political implications for overall relations among countries.

So the main link between a new round of trade negotiations and the NATO alliance is that once we get it launched, failure could be very costly, and it is necessary to have the negotiations succeed in some way. It becomes a political necessity to have the trade negotiations succeed—and this influence is at least as strong in Europe—and Japan—as it is in the United States.

Mr. **Paarlberg**. One European Community tactic in the upcoming round on agricultural trade is already apparent. As a condition for agreeing to discuss their export subsidy policies, they have insisted in the upcoming round on having the chance to talk about some U.S. domestic farm programs which they believe have an impact on trade.

So they will, no doubt, attempt to divert our attention from their border interventions—such as export restitution payments—with claims that our internal target price and deficiency payment schemes also have trade distorting effects, and ought to be on the table for negotiation.

Of course, to place such programs on the table for negotiation would create political indigestion at the negotiating conference and would make progress much more difficult.

Senator **Pressler**. There are some additional questions which I will have staff submit to you for the record.

I want to thank you both. We are lucky to have two of our most distinguished experts in the United States testifying here today. I thank you very much.

Mr. Paarlberg, did you have a relative who was Don Paarlberg?

Mr. **Paarlberg**. Yes. That is my father.

Senator **Pressler**. That is your father. I read some of his things back in the late 1950's. That shows how old I am getting.

Do tell him hello if you see him.

Mr. **Paarlberg**. Thank you.

Senator **Pressler**. We thank you both very much, and I apologize to you for being a bit late in getting started.

Staff will supply you with two or three additional questions that other Senators have submitted and that have been prepared by the staff.

Thank you both very, very much.

Next I will call forward our third panel. Our last panel will consider the issues of food, agriculture, and NATO from the perspective of the European allies primarily. We are very pleased to have two distinguished witnesses join us this afternoon, Mr. Jonathan Dean and David Calleo.

Former Ambassador Dean is now the arms control adviser of the Union of Concerned Scientists. We welcome you.

Before that, he was the U.S. Representative to the NATO-Warsaw Pact Force Reduction Negotiations in Vienna, the MBFR talks, between 1978 and 1981.

He had served as Deputy U.S. Representative from 1973 to 1978. In the 1950's, Ambassador Dean served in Bonn as liaison officer between the U.S. High Commission and the newly formed Federal German Government, including the Ministry of Defense.

Subsequently, he served as First Secretary at the U.S. Embassy in Prague and in various other Foreign Service posts both abroad and in the United States, including Political Counselor in Bonn, where he participated in negotiations leading to the Four Power Agreement in Berlin.

From 1982 to 1984, following the MBFR talks, Ambassador Dean was resident associate for arms control and European security issues at the Carnegie Endowment for International Peace.

He is a graduate of the National War College and has a Ph.D. in political science from George Washington University.

If Mr. Calleo is here, I would ask that he also come forward.

We will have you both as a panel.

Our last panelist is Mr. David Calleo. He received his B.A. from Yale and his M.A. and Ph.D. also from Yale, in political science. He has taught at both Yale and Brown, and has received a variety of the most prestigious academic fellowships in the field. He is now the director and professor of European studies at Johns Hopkins School for Advanced International Studies.

He has also served as a consultant to the Under Secretary of State for Political Affairs, and is the author of several books, including "The German Problem Reconsidered."

He is currently a project director for a Twentieth Century Fund Project on a Congressional Policy for NATO.

We welcome you both and we will call on Ambassador Dean.

STATEMENT OF JONATHAN DEAN, ARMS CONTROL ADVISER, THE UNION OF CONCERNED SCIENTISTS

Ambassador **Dean**. Thank you, Mr. Chairman.

In the context of your examination of United States-European relations, I would like to comment this afternoon on the expanding inter-German relationship, the relationship of the Federal Republic of Germany to East Germany, and on the question of whether this relationship is an asset or a hindrance to NATO and to United States interests in Europe—in other words, another problem area or perhaps an area of advantage.

I would like to make available a longer statement of my views and would request, Mr. Chairman, that it be included in the record.

Senator **Pressler**. Without objection, it will be included.

By the way, your entire statement will be included in the record.

Ambassador **Dean**. As far as can be seen into the future, it must remain the cardinal objective of our foreign policy to take all actions necessary to prevent the Soviet Union from achieving dominant influence over the enormous human and material potential of Western Europe. If the Soviet Union were to succeed in doing so, the global balance of power would tip decisively in its favor, with the gravest consequences for our country.

The policies and actions of the Federal Republic of Germany at the hinge of the East-West confrontation in Europe have central importance for the cohesion of Western Europe and for its continued independence from Soviet influence, and for the main task of the NATO alliance—preserving freedom while preventing war.

Two years ago, as the confrontation over European deployment of American Pershing and cruise missiles and Soviet SS-20's was nearing its peak, many in Western Europe and the United States were astounded as the relationship between Federal Germany and the German Democratic Republic suddenly emerged from the obscurity of agreements on autobahn repairs, postal agreements and clean up of polluted rivers and took on a dramatic political life.

There was uneasiness over this development in Western capitals where leaders, concerned about neutralist trends in the German peace movement, worried about a basic shift in Federal German allegiance to the West.

Interestingly, Moscow showed similar concerns about East Germany.

At the beginning of September 1984, after a campaign in the Soviet press about the dangers of selling German Democratic Republic political concessions for Federal German payments and loans, there came an abrupt announcement from East Berlin on the postponement of the scheduled visit to Federal Germany, of Erich Honecker, the leader of East Germany.

But, after a 6-month lull, official inter-German dealings have resumed full activity.

German banks participated in two further large loans to East Germany in 1984 and 1985, and in July of this year, the Federal German Government expanded its trade credits to the German Democratic Republic to a total of 850 million marks a year for the next 4 years. Including loans, Federal German payments and credits to the German Democratic Republic are running at a rate of over 3 billion deutschemarks a year, a hard currency income which East Germany could never obtain in the absence of this relationship.

Many Western political leaders continue to worry about this development. They fear it signals a cooling of Federal German support for NATO and Western European integration, or that Federal Germany is cumulatively placing itself in a position where the Soviet Union and East Germany could gain more influence over its policy and actions.

The question is, are these fears well founded? What can this policy lead to in the long run?

I think the first thing to say about the Federal German policy of improving relations with East Germany is that this policy has extremely strong support from the German public. Every major organization in the Federal Republic now supports the inter-German policy—all political parties, industrial associations, trade unions, and the churches.

The strength of public support for inter-German policy was dramatically illustrated 3 years ago, when the Christian Democratic Union completely reversed its decade-long opposition to this policy and became its enthusiastic promoter as Chancellor Kohl took over the German Government.

The Christian Democrats' own private polls showed he had to do this, and this political imperative will hold true for future German Governments.

The controversy over missile deployment has tapped strong new sources of public interest for inter-German relations. For many Germans in both German states, the pursuit of inter-German relations has become identified with progress toward peace and security.

Asked in a mid-1983 poll whether the Federal Republic should continue its program of inter-German relations in a situation of United States-Soviet tension, 86 percent replied yes. There is also a feeling of moral obligation on both sides to make some form of restitution by Germans for the harm which Hitler's Germany inflicted on the world.

Another source is the mounting feeling of resentment over dependence on the great powers, which has been a major byproduct of the Euromissile controversy. These feelings have found an outlet in both German states in the idea that there is a special contribution which Germans and no one else can make to peace, and that Germans must make this contribution because of the German past.

What are the objectives of West German policy toward East Germany? They are to help prevent East-West conflict; to mitigate the consequences of the division of Germany, especially for the East Germans and the Berliners; and to bring about evolutionary change in East Germany itself.

Germans have a hard time in explaining their policy and its ultimate objective to outsiders. They have to formulate it in ways which are understood, which are understandable to German opinion, and avoid hostile reaction from Germany's allies in the West and from the German Democratic Republic and the Soviet Union.

Germans know that formal reunification is not feasible because of adamant Soviet opposition. So they speak of ultimate self-determination for the inhabitants of East Germany. But from the viewpoint of the changes in the Soviet position which would be required to bring about self-determination in East Germany, both goals are equivalent.

This means, essentially, that the Federal Germans are revisionists in a peaceful sense. Like most of us, they want a change in the status quo in Eastern Europe and they want long-term diminution in Soviet control over the area by peaceful, evolutionary means. Most Germans accept that this is an extremely long-term aim and are satisfied with modest improvements, like the possibility of visits back and forth from East Germany, which now total about 8 million a year.

At the same time, Germans are extremely skeptical about Soviet willingness to make some negotiated change of status or to grant conditions of political freedom to residents of East Germany or of a united Germany.

That is why 80 to 90 percent, perhaps more, of West Germans think there is now no chance of reunification on acceptable conditions.

They are right in their skepticism. Soviet control over East Germany is the keystone of Soviet control over Eastern Europe. Relinquishment of Soviet control over Eastern Europe would end Communist governments there and would bring shattering disconfirmation of the Soviet system itself.

The scars of World War II remain active enough in Soviet memories to make any form of German unity wholly unacceptable.

For the Soviet Union to let go in East Germany would be an action of such magnitude that it would have to be preceded by radical change in the Soviet system itself, of which there is at present no sign whatever.

To answer the question I raised at the outset, what will the inter-German policy lead to, in my view, there is no real possibility either of serious Soviet moves to break Federal Germany out of the NATO alliance or of successful Soviet propaganda moves in that direction.

The scope of Soviet propaganda moves is sharply limited by the destructive impact they would have on the stability of the whole, shaky, Soviet system in Eastern Europe. It is also limited by the solid appreciation of all Federal Germans for the benefits of their pluralistic political system and by their accurate knowledge of Soviet styled totalitarianism, which is kept fresh by inter-German contacts.

This means that, whatever changes do take place in central Europe over the next 10 to 20 years, they will not include a change in the membership of Federal and East Germany in their respective alliances. For the future, the direction of increasing influence is from Federal Germany to East Germany, not vice versa. The economic relationship between the two German states is likely to become more close-knit, with the Federal German share of East German trade slowly approaching 20 percent or more, creating a certain degree of economic dependence on Federal Germany for the German Democratic Republic.

There will be more person-to-person contacts, but no free movement. Dialog between the two governments on political and even security issues is likely to expand. All of this will be closely regulated by the German Democratic Republic out of concern for its own survival.

The East German authorities will have to continue to walk a very fine line between gaining public support by moves to relax its hold and losing control over the East German population through moves of this kind.

For its part, the Soviet Union will warily and apprehensively permit the East German Government the latitude it requires in order to increase its economic and political viability.

It is easy to misunderstand this inter-German relationship, and it probably will give rise to frictions between the United States and the Federal Republic in coming years. But from a hard-headed viewpoint of American interests, the important thing about the relationship thus far is that it has had real benefits for American security.

It was Federal German moves at reconciliation toward the Soviet Union, Poland, and the German Democratic Republic, which provided the leverage to conclude the 1972 Four Power Agreement on Berlin. This agreement effectively removed Berlin from its previous role as a point of United States-Soviet political and military confrontation during the entire period between 1947 and 1971, a place where nuclear war could begin at any time. The inter-German policy has provided incentives to the German Democratic Republic and to the Soviet Union to respect and fulfill that Berlin agreement.

The policy has suppressed frictions between the two German states which could have kept the NATO-Warsaw Pact military confrontation, still the largest in human history, in a constant state of alarm with increased risks of miscalculation and human error. While promoting change in the position of the German Democratic Republic Government, the policy has also provided a psychological safety valve and economic benefits which reduce the possibility of large-scale public unrest in East Germany, which would result in bloody suppression or outright East-West conflict.

This German policy has been the necessary precondition for common Western policies of promoting peaceful evolution in Eastern Europe.

The Solidarity development of Poland would not have emerged without prior German moves toward reconciliation with Poland and the German Democratic Republic.

The inter-German relationship can bring further security benefits in the long-term future. The Federal Germans and the East Germans know the rules. They will stay in their respective alliances and work from them. But as the two countries which have the majority of foreign forces of both alliances on their territory, their dialog can mitigate and temper the continuing dangers of the confrontation.

The United States should accept and support this policy as an important contribution to the aims of the NATO coalition.

Thank you.

[Ambassador Dean's prepared statement follows:]

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Inner-German Relations -

Will They Change the Political Map of Europe?

Two years ago, as the confrontation over deployment of the new American INF missiles, focussing on the decisive struggle in the Federal Republic of Germany, was nearing its peak, many in Western Europe and the United States were astounded as the relationship between Federal Germany and the German Democratic Republic suddenly emerged from the obscurity of agreements on autobahn repairs and cleanup of polluted rivers and took on a dramatic political life of its own.

In the summer of 1983, Franz Josef Strauss, long the most prominent Christian Democratic opponent of the communist East German regime, bearing with him the peace gift of a large government-guaranteed loan to East Germany, led an unprecedented succession of Christian Democratic notables on pilgrimages to East Berlin for visits with Erich Honecker and other leaders of that regime. The visitors included the highly respected Mayor of West Berlin, Richard von Weizaecker, who has since become President of the Federal Republic. This full-blown Christian Democratic conversion to cultivation of the inner-German relationship was reciprocated in East Berlin. Honecker agreed to come to the Federal Republic for the first visit ever by a leader of the German Democratic Republic.

The drama intensifed as Soviet negotiators withdrew from the nuclear arms talks in Geneva after the Bundestag voted in November 1983 to confirm the NATO decision to deploy American Pershing and cruise missiles. Honecker, who had threatened an "ice age" in inner-German relations if the deployment were carried out, instead said that the duty of both German states was to salvage what they could from the situation and to continue to develop their relationship. He met with Chancellor Kohl at Andropov's funeral in February 1984 and agreed with him that, in times of international tension, both German states had a special responsibility to nuture peace and East-West understanding. Enthusiastically supported by the populations of both German states, their governments seemed to be developing an protected oasis of their own in an increasingly barren East-West desert. In March, 1984, Honecker said he would come to the Federal Republic that September. In July 1984 came another large loan to the GDR guaranteed by the Federal German government.

But there was agitation in Western capitals, where leaders worried about a basic shift in Federal German allegiance to the West. And in May last year, warning drums silent for over a decade began to sound in Moscow in a heavy media attack on the "revanchist" Federal Republic, which Moscow accused of plotting once again to overturn the postwar status quo in Eastern Europe. In July and August, the public attack from Moscow turned to the other Germans, to Honecker and the SED leadership, who were accused of selling political concessions to the Federal Republic in return for Federal German bank loans, a dangerous policy which could undermine the GDR.[1] And on September 4, 1984 came the announcement from East Berlin that the Honecker visit to Federal Germany was postponed. After recriminations between the two German governments as to who was at fault for the postponement, a congealing chill gripped the inner-German relationship. Its most intense flowering since the division of Germany seemed abruptly frozen.

But, as we have already seen, there was more to come. This analysis seeks to forecast the development of the relationship between the two German states, what Federal Germans call the inner-German relationship, over the next decade or more. How will that relationship look at the end of this century? What will be its significance for East-West relations, for the international position of the two German states and for their position in their NATO and Warsaw Pact alliances? Which of them will achieve dominance in the relationship? And the central question, will the evolving inner-German relationship ultimately change the political map of Europe?

In searching for answers to these questions, my approach will be to examine the major variables in the inner-German relationship and to present an estimate of how each of these variables may develop over the next decade. On the basis of these estimates, I will draw conclusions about the long-term future of the relationship. These main variables are: the durability and intensity of Federal German interest in developing the relationship; the durability of the GDR interest; the question of whether the FRG's NATO allies will or can put the brakes on the relationship; and the question of the Soviet attitude.

Before turning to the future evolution of these attitudes, we should briefly review the present state of the inner-German relationship.

The resumption of the U.S.-Soviet arms control dialogue this January and the reopening of the Geneva negotiations in March have, in direct causal connection, resulted in a rapid thaw from the period of low-profile downplaying of the inner-German relationship by the GDR leadership which followed the postponement of the Honecker visit -- and in resumed receptivity of the GDR leadership to inner-German political contacts.

The first important sign of the change came following Foreign Minister Gromyko's October 1984 visit to Washington. In December 1984, Wolfgang Schaeuble, the senior official in Chancellor Kohl's office charged with responsibility for inner-German matters, was received by GDR Foreign Minister Fischer and by Politburo member Herbert Haeber in East Berlin. In February, GDR Politburo member Hermann Axen went to Bonn, ostensibly to meet with leaders of the Social Democratic opposition on the SPD-SED project to ban storage of chemical weapons in Central Europe. But Axen also met with Minister Schaeuble and with Federal Foreign Minister Genscher. In March, on the day of the official announcement in Moscow of Chernenko's death, Honecker visited the exhibit of the Federal German Hoesch company at the Leipzig trade fair and expressed his desire to further develop inner-German ties. Federal German Economics Minister Bangemann was then received by Honecker and by Politburo member Guenther Mittag in the first visit to East Berlin by a member of the Federal German cabinet for a year.

A few days later, on March 13, Chancellor Kohl and Honecker, in Moscow for the Chernenko funeral, met and issued a communique documenting their desire to continue to develop the inner-German relationship.[2] And at the beginning of March, Foreign Minister Genscher succeeded in breaking out of the year-long quarantine which the Soviet Union had imposed on Federal German relations with Warsaw Pact states after Soviet withdrawal from the Geneva talks in order to underline Soviet displeasure that the Federal Republic had persisted with the Pershing deployment. Genscher, who succeeded in using his Moscow visit to gain favorable publicity for himself and his Free Democratic Party just before the important Land elections in the SAAR and West Berlin, was received by Andrei Gromyko, then still Soviet Foreign Minister, for a discussion of the Reagan Administration's ballistic missile defense program and of the inner-German relationship. He also succeeded in carrying out visits to Poland and Bulgaria which had been postponed as part of the "quarantine."

Legal emigration from the GDR to the Federal Republic has resumed at about 1000 per month, the usual rate of past years, except for the exceptional 1984 total of nearly 40,000 in the GDR's unsuccessful one-time effort to rid itself of malcontents. Negotiations on measures to reduce pollution of the Werra River on the inner-German border by potash waste from the GDR are continuing and probably will conclude in an agreement where the Federal Republic will pay for the installation of purification installations. Discussion is under way of repair of the autobahn from Hof in Bavaria to Berlin.

On a more political plane, the Kohl government continues interested in Honecker visit to Bonn, though GDR leaders continue non-committal. A Honecker visit is possible sometime after the November U.S.-Soviet summit, perhaps at the turn of the year or next spring. If the Honecker visit takes place, it will be a media event despite GDR efforts, abetted by Federal Germany, to play down its political significance so that it is not exaggerated by allies of both German states.

THE ISSUES BETWEEN THE TWO GERMANIES

Although a Honecker visit to Bonn would in fact have considerable symbolic significance, it is not likely to mark the resolution of the main political issues between the two German governments.

Both German states premise their positions on the continuation of Soviet opposition to a change in status of the GDR and on continuing Soviet capacity to prevent such change through military power if needed. But from this point on, their fundamental positions are diametrically opposed. Viewed objectively, the Federal Republic of Germany has a revisionist position, though not with the usual negative connotations of this term. It wishes to keep open the "German question" for change by peaceful means, more specifically, to keep open the possibility of change in the status of the GDR through self-determination by the East German population.[3]

The leaders of the German Democratic Republic wish to make permanent the status quo and the GDR's position as a separate state controlled by the communist Socialist Unity party. Although a few East German leaders may dream that some day the Federal Republic will become a communist state, for the GDR, there is no "German question".

These basic positions are articulated in a number of specific issues around which the inner-German relationship will revolve in the next decade. For the GDR, they consist of the four issues which Honecker originally raised in a 1980 speech in the East German city of Gera which have become known as the "Gera demands": (1) recognition by the Federal Republic of separate GDR citizenship, instead of the present Federal German position that all ethnic Germans from the GDR or elsewhere have an automatic right to Federal German citizenship; (2) raising the GDR and FRG missions in Bonn and East Berlin to the status of foreign embassies; (3)acceptance of the GDR position that the inner-German border on the Elbe river goes midway down the course of the river rather than along the Eastern bank as claimed by the Federal Germany; and (4) closing the West German information center at Salzgitter which since the peak of the Cold War has collected reports of human rights abuses by the GDR government against Germans living in the GDR, i.e. its own citizens. All of these demands have to do directly with the GDR's concept of sovereignty and separateness. Although the GDR has not made fulfillment of the Gera demands a precondition for improvement of inner-German relations, they are of central importance for it, and it will continue to press vigorously for their fulfillment.

Ironically, if the Honecker visit had taken place as scheduled in September 1984, the GDR might have obtained some Federal German concessions moving toward closing the Salzgitter center and toward an Elbe border settlement under the heady momentum of combined resistance by the two German states to the worsening of East-West relations. It might even have obtained statements of Federal German "respect" for GDR citizenship, but not embassy status for the Bonn and East Berlin missions, because West German agreement to this step would have meant the formal relinquishment by the Federal Republic of its strongly held view that there is a special relationship between the two German states as parts of a single Germany which is not the same as normal diplomatic relations between any two countries.

Since the postponement of the Honecker visit, the positions of both sides have hardened. The future may bring some Federal German action on the issue of the Salzgitter center and on the Elbe River border. But the GDR demands for Federal German acceptance of separate citizenship for Germans in the GDR and for Federal German relinquishment of the all-German concept through converting the Bonn and East Berlin missions to embassies seem likely to remain unresolved in the decade to come, at least in their absolute form. The GDR's efforts to bring the Federal Republic to relinquish the concept of automatic FRG citizenship for all Germans represent a GDR desire to obtain Federal German cooperation in solving the GDR's main domestic problem, the desire of the vast majority of its citizens to have full freedom to travel to the Federal Republic and the desire of millions of its best-trained citizens to move to the FRG permamently. What the GDR wants is Federal Republic help in controlling the GDR population. Ideally, the GDR would like the FRG to close its borders to East Germans, or failing that, to adopt a quota system or to place restrictions on acceptance of East Germans in the Federal Republic as Federal German citizens with full rights, for example by adopting a policy similar to United States policy toward refugees from Central America, accepting only those who can prove they come for genuine political motives and refusing to accept those who have economic motives in wishing to emigrate. Paradoxically, East German leverage in seeking Federal German cooperation to restrict East German emigration to the Federal Republic is, of course, the Federal German desire to broaden the freedom of GDR residents to visit the Federal Republic. If the FRG complied, the GDR would probably respond by permitting more of its citizens to travel to the FRG on a short-term basis, relying on FRG authorities to send them back when their visas expire.

This is a tough problem. The Federal German government and public are firmly attached to the concept of automatic citizenship for all ethnic Germans, which is anchored in the Federal German constitution. Automatic citizenship for all Germans is both a symbol of German unity and of the moral obligation of the Federal Republic to help less fortunate Germans. It provides the legal basis for repatriation of the thousands of ethnic Germans from the Soviet Union, Poland and Rumania whom Federal Germany has in effect been buying out year after year, as well as for entry of Germans from the GDR and for the economic subsidies which these new German residents receive from the Federal German government. In this time of low economic growth and high unemployment in the FRG, there has been some public grumbling, not yet serious, over these economic subsidies.

So, desiring greater freedom of movement for East Germans, Federal German leaders are caught in a conflict of motives. Each move they take toward the GDR position on separate citizenship for GDR residents will be followed by GDR proposals for further restrictions. Federal Germany sympathizes with the GDR's desire to bring its citizens to stay at home voluntarily. Federal German leaders have stressed that it is not in their interest or their objective to depopulate the GDR, and there are economic and political reasons why such declarations should be taken seriously. Federal German authorities try to meet GDR desires for the sake of the overall relationship and to increase freedom of movement. In the next ten or fifteen years, the Federal Republic is not likely to accept that Germans from the GDR are not entitled to Federal German citizenship, but it may cumulatively adopt regulations making emigration more difficult in the practical sense. At the same time, the priority Federal German objective in the inner-German relationship for the next decade will remain the effort to increase freedom of the GDR population to visit the Federal Republic and of Federal Germans and Berliners to visit the GDR.

The problems for the inner-German relationship caused by East Germans trying to escape illegally from the GDR to the Federal Republic have been partially solved -- by more effective GDR controls. The automatic shooting devices have been removed from the inner-German border but replaced by more impervious fences further back and out of sight. Access by East Germans to Federal German embassies in East Berlin, Prague and elsewhere in Eastern Europe, where determined East Germans went on hunger strikes until given assurance of permission to emigrate to the Federal Republic, has become much more subject to physical restrictions both by local authorities and by the Federal German Embassies. But this is merely covering over the problem and making it more seemly.

In connection with 1983 and 1984 loans to the GDR which the Federal German government guaranteed, the FRG obtained minor East German concessions on travel by East Germans to the Federal Republic, among them reduction in the GDR requirement for compulsory daily exchange of twenty-five hard currency West German marks for young West Germans visiting the GDR, and lengthening the period of stay in the FRG for GDR pensioners from 45 to 60 days. The compulsory exchange requirement has cut back Federal German and West Berlin visits from their high point of eight million a year to a level of about five million and has provided the GDR with an effortless hard currency income of two hundred million Deutsche marks per year. In coming years, the FRG will continue to press for lowering of the age in which GDR pensioners are allowed to visit the FRG or remain there. The Federal Republic also wants a more liberal policy from East Germany permitting GDR residents to join family members already in the Federal Republic. It will also press for expanded youth, cultural exchanges and sport exchanges.

For years, negotiations for a cultural exchange agreement between the Federal Republic and the GDR have been stalled by "The Battle over Nefertiti's Head", the question of ownership of cultural objects now located in West Berlin or Federal Germany originally owned by museums located in East Germany. The famous Amarna-period bust of the sister-bride of Pharaoh Akhenaton was brought to Berlin in 1912 after its discovery by a German Egyptologist. The FRG-GDR cultural agreement has also been blocked by the problem of the status of the Western sectors of Berlin in the agreement. In parallel Federal German negotiations on a Federal German-Soviet cultural exchange agreement, Moscow has thus far refused to accept the Federal Republic as the representative of the Western sectors of Berlin in cultural exchanges within the USSR although this is provided for in the 1971 Quadripartite agreement. An intra-German agreement on scientific and technological exchange is held up for the same reason. Despite this, some movement towards a practical solution of these inner-German agreements has been made in recent months.

As noted, the large government-guaranteed Federal German loans of 1983 and 1984 to the GDR brought only minor reductions of the restrictive GDR currrency requirements for travelers from the Federal Republic. Unobtrusive efforts by the Federal Republic to offer more generous credit arrangements for inner-German trade, the so-called "swing," in return for further GDR concessions on compulsory currency exchange do not appear to have succeeded -- the 1983-84 Federal government-assured loans put the GDR on its feet economically and made it possible for the GDR to raise two further large private bank loans without requirement of guarantees in late '84 and early '85 without the requirement of guarantees from the Federal German government. Its immediate need is no longer so great.

Future dealings between the FRG and the GDR will include further environmental protection agreements and improvements in road, rail, postal service links. Most of these aspects of the inner-German relationship have a characteristic pattern. The starting point is the Federal German desire to improve access to the population of East Germany, as well as to Berlin, through better roads, better postal service, easing exchange requirements and easing the restrictions governing travel of GDR residents to the Federal Republic. The GDR splits up each of these issues into numerous sub-components and sells each for the maximum FRG subsidy. The GDR is being paid, and paid well, to permit access to its citizens by Federal Germans and to permit some of its older citizens to visit the Federal Republic. There is no doubt about who will continue to be the major economic beneficiary of the inner-German relationship. These Federal German payments have been vital to the economic and political health of the GDR government, making it solvent in time of economic need and preventing emergence of discontent and unrest in the GDR population.

Issues like these are the life-blood of the inner-German relationship and will remain so for decades. Yet to the outsider, except for professional specialists, the specific questions around which the inner-German relationship will continue to revolve, significant as they are to Germans on both sides, appear pedestrian and ordinary. Humdrum issues of this kind, no matter how they are resolved, do not appear to have the potential to change the inner-German relationship fundamentally or to cause dramatic East-West shifts. What is really going on here? Is there a possibility that, if the two German states continue on the same path for the next decade or two, there will nonetheless be fundamental change?

Answering this question requires us to look at future developments in the main countries concerned, the two German states and their principal allies.

The Federal Republic

From the outset of the inner-German relationship, the Federal Republic of Germany has in almost every instance been the initiator of specific projects for improving inner-German relations as well as the financier of these improvements. Official German figures show annual payments to the GDR at an annual rate of about 1.2 billion marks, including in recent years a lump sum payment of DM 500 million for transit fees to Berlin; 200 million for postal payments; DM 50 million for road tolls for travel within the GDR; DM 200 million as income from the obligatory currency exchanges; and DM 100 million for sewer and waste disposal for the Western sectors of Berlin. To this must be added payments of DM 1 billion marks in earnings of foreign currency shops through personal remittances by Federal Germans to GDR residents; the guaranteed credit or swing in inner-German trade, worth 600 million a year or more in the past four years and increased in the agreement of July '85 to DM 850 per year for the period 1986-1990; and Federal German ransoming or buyout of political prisoners in the GDR at DM 200 million annually. It is not feasible to make a founded estimate of the economic benefit to the GDR of its DM 15 billion annual exports to the Federal Republic. But like all Eastern European states, its main difficulty is in selling its production for hard currency to import modern products not available from the Soviet Union. We can assume that if the GDR had to look elsewhere for buyers and did not have this favored relationship, it would sell considerable less of its production for Western hard currency and would not be able to import to anything like the present extent the up-to-date machinery which is its main import from the Federal Republic. We can set a minimum amount of 1 billion DM to take account of this advantage; the actual value is probably much higher. Adding DM loans over the past three years averaging at least 700 million per year, one can reach an estimated total of about DM 5 billion per year as the hard currency income of the GDR arising from the inner-German relationship.

The direct FRG payments included in this estimated total represent a considerable sum. It is clear from the review above that the payoff in terms of GDR concessions has not been great. Can these subsidies continue indefinitely and will they bring more tangible benefits for the FRG? The persistence of Federal German interest in bringing about a change in the situation of the GDR is the key aspect of the long-term equation; for as matters now stand, only Federal Germany has both the durable interest and the potential to bring about changes in Central Europe.

The substance of Federal German inner-German policy is to improve relations with the GDR to the extent feasible in order to promote personal contacts on the individual level and to draw the East German government into an increasingly cooperative position. This policy is now a non-partisan effort, supported by all major political parties in the Federal Republic and a large majority of public opinion.

But this was not always the case. The Christian Democrats opposed the policy during the Social Democratic governments of Chancellors Brandt and

Schmidt from 1969 to 1982. Even today, a strong inner opposition of about one-third of the CDU/CSU Bundestag Faktion headed by CDU faktion leader Dregger and including Herbert Hupka and Herbert Cjaja, leaders of German associations of refugees from former German territories in Eastern Europe, strongly question the policy, though not to the extent of voting against it. Specifically, they question whether the Federal Republic is getting GDR concessions commensurate with the large economic benefits it is giving the GDR. Public opinion polls show that, while the German public supports the government's policy, it also shares this scepticism.

It is reasonable in these circumstances to question whether the Federal German political system will indefinitely support a policy whose rewards in terms of GDR moves are almost certain to remain slow and small. Federal German officials charged with implementing inner-German policy in the Chancellor's office and in the Ministry of Inner German Affairs are themselves worried about the question of continuing public support and especially about the low interest of Federal German youth in the GDR and its future. An Infra Test poll of 1981 showed that about a half of West German youth between the ages of 14 and 21 considered the GDR a foreign country as far as the Federal Republic is concerned. Some Federal German experts believe that Federal Germany is increasingly developing a separate national identity of its own in which issues like German unity play a decreasing role as mainly historical questions belonging to the past.[4] They consider that practical-minded Germans have in effect recognized the impossibility of German reunification and has written it off and increasingly are interested in the GDR merely as a neighboring German state. If correct, this conclusion implies long-term decline in Federal German interest in inner-German relations.

In the opposing view, pursuit of an improved relationship with the GDR is an integral part of the emerging Federal German sense of identity, an identity which combines strong Atlantic and West European ties with an enduring German interest in the countries to the East, first and foremost, the GDR.

This second interpretation appears the correct one. In his February 1985 State of the Nation speech -- in West German usage, the term "State of the Nation" refers to the condition of the entire German nation and to inner-German relations as a component part -- Chancellor Kohl pointed out that, over the thirty-five years since the division of Germany was formalized in the establishment of the two German states, it had become increasingly clear that there was in fact "a special relationship" between the two German states whose substance included a common language, common culture, strong human bonds and a common history.

As the years have gone by and the division of Germany continued and an increasingly powerful Soviet Union made clear its desire to maintain the status quo in Eastern Europe, most Germans have lost hope that German reunification is possible. Polling information developed by the Allensbach organization shows that, in the 1950's and 60's, about 30% of the Federal German population thought reunification was the most urgent problem facing the Federal Republic. That figure has now sunk to less than one percent, giving a clear reading of the German public's perception of what is feasible here. Indeed, repeated polls show that large majorities think that reunification in the formal sense of joining together the two German states in a single government is not possible. By 1970, 65% thought reunification impossible, only 15% that it was possible. In 1984, 21% (a perceptible increase which we must ascribe to Bonn's Ostpolitik) thought reunification ultimately possible, but a solid majority of 54% still thought it excluded under all circumstances.

But if the question is posed another way, the result is different. Asked in 1984 whether the "German question" was closed for good, 50% said no and only 20% yes. An EMNID poll published in Der Spiegel in October 1984[5] got to what appears to be the essence of the German attitude: 40% believed there was no chance of reunification, but 58% replied yes when asked whether they believed the reunification issue must be kept open. In a later EMNID pol taken in December 1984 with a smaller sample, 89% said they doubted German reunification would take place, but 73% also said they nonetheless hoped it would take place.[6]

The recurrent nightmare of Western political leaders with regard to Germany is that the Soviet Union might someday propose some form of German reunification in return for the military neutrality of the Federal Republic and that, pushed by its public opinion, the Federal Republic would accept. In terms of West German public opinion, these fears are well founded in one sense, but baseless in a more important one.

Most polls over the years, including that published in the October 84 Spiegel show that a strong minority of about one-third favors neutral status for the Federal Republic, independent of the reunification issue. But when West Germans are asked whether they would accept a neutral reunified Germany with free elections, the picture changes. Allensbach figures show that in 1978, about a third of respondents were prepared to accept this solution. In 1979 — here we have the negative impact of the INF controversy — the figure rose to 49% and in the spring of 1984, to 53%.7 The December '84 Geopolitique poll asked whether respondents would accept German reunification under conditions of neutrality for Germany and Western Europe; 67% said yes and only 31% no.

These figures appear to confirm the worst fears of Western leaders about the susceptibility of German public opinion. Yet in the same Geopolitique poll, 88% of the sample answered no when asked whether they would be prepared to accept German reunification with fewer political freedoms; similar figures have repeatedly shown up in Allensbach polls.

Polling results like these show a sense of realism in the German public. Increased acceptance of neutral status for a reunified Germany reflects sharply decreased German fears of military attack by the Soviet Union and the direction which German desires would take in an ideal world. But they also reflect total aversion to sacrificing the political and economic system of the Federal Republic in some reunification scheme and extreme scepticism that the Soviet Union would offer reunification on terms of internal freedom for the GDR as well as the FRG.

At the same time, these figures thoroughly refute the view that Federal Germans are resigned to the division of Germany and consider the GDR as an ordinary neighboring state with which it is desirable to have normal relations. They show that Federal Germans strongly desire a change in the status quo in East Germany. We can see from these indications that the desire of both German public and government to keep the German question open is an uneasy compromise between the German desire to change the status quo and the recognition that this cannot be done on acceptable conditions because of Soviet opposition. These surveys confirm personal observation that most Germans in fact do have a strong interest in improving inner-German relations, in self-determination for all Germans, German unity, German reunification or "the German question", whatever term from an extensive and changing vocabulary may be used to describe this interest.

That interest has had great durability during nearly forty years of division of Germany and it is probable that it will continue indefinitely as a major factor in Federal German politics and policies. Former Chancellor Helmut Schmidt, a highly qualified witness, said in a speech at Yale in early April this year that German desires to reunify Germany would persist indefinitely; he compared German attitudes to those of the Poles, who persevered for centuries in the desire to restore the unity of their country.[8] Despite the low interest of West German youth in the GDR, over four million Federal Germans come from the GDR. Over 20% of Federal Germans have relatives there. All the main institutions of Federal German society -- the political parties, trade unions, and the churches -- have strong interest in inner-German links and will communicate it to young Germans as the latter grow older and a portion of them develops greater interest in politics. Seven thousand West German companies are engaged in trade with the GDR, though most are small ones. As we have already experienced, in periods of less salient public interest in inner-German relations like that between 1975 and 1982 and in the years between the modest beginnings of the inner-German policy under the Erhard government in 1966 and the Brandt government in 1969, a few devoted officials can provide all the impetus needed to maintain a policy of engagement with the GDR as long as there is not active opposition to the policy in its broadest denominator, helping less fortunate fellow Germans who must live in the GDR.

The intense controversy over deployment of American Pershing missiles in Germany has tapped two strong new sources of interest in inner-German relations. One is the peace issue. For many Germans in both German states, pursuit of inner-German relations has become identified with progress toward peace and security. There is also a moral commitment here to make some form of restitution by Germans for the harm which Hitler Germany inflicted on the world. The second source is national feeling itself. A mounting feeling of frustrated powerlessness in the face of the great powers has been a major attitudinal by-product of the Euromissile controversy. It has found an outlet in both German states in the idea that there is a special contribution which Germans, and no one else, can make to peace; moreover, that to some extent, Germans can make this contribution independent of the great powers and whether or not the great powers like it. The Kohl-Honecker collaboration to try to salvage the inner-German relationship and to even intensify it at the time of the missile crisis, the development which so amazed outside opinion, received overwhelming approval from the public in both German states. For example, a SINUS poll in 1981 found 72% of West Germans answering yes to the question whether the Federal Republic should continue its program of inner-German relations in situations of East-West tension. In mid-1983, as the missile crisis peaked, the total of those answering yes to the same question had increased to 86%. Since both the peace issue and the feeling of German powerlessness and dependence on the actions of the great powers result from an East-West confrontation which seems likely to last indefinitely, these sources of continuing interest in the inner-German relationship appear enduring ones.

The GDR

Part of the fascination of the inner-German relationship for outsider experts who follow it closely is the interplay of motivations between the two German states as both follow their own policies of selective engagement, as each struggles to influence the other. For its part, the GDR leadership has two enduring motivations for pursuing the inner-German relationship, the desires of its population and the self-interest of the GDR leadership in its own continued rule over that population.

That the majority of the East German population regards the Federal German system as more attractive than the GDR system is evident. All the efforts of the GDR to develop a separate historical tradition and to play on negative aspects of Federal German society will not in the foreseeable future be successful in developing positive loyalty among GDR residents to the GDR system. Far into the future, Federal Germany will remain more attractive. Television coverage will keep the greater attractions of West German society before the East German population and maintain pressures from it on the GDR government for easier access to the Federal Republic for East Germans and for easier access of Federal German residents to the GDR.

These continuing pressures will continue to motivate the GDR leadership to continue its policy of inner-German engagement. The GDR leadership realizes the value of the inner-German contacts as a palliative for the discontents of its population, both political and economic. Without the Federal German subsidies which have already been described, it is improbable that the GDR would be able to maintain the highest living standard in the Warsaw Pact, and the still wider difference between its performance and that of the FRG system would be a dangerous source of discontent.

The GDR has had a surplus in its trade accounts with non-communist countries since 1982, and 1984 was a very good year in the GDR economy. But it was loans and subsidies from the FRG which largely made this surplus possible. Thanks in part to offically-backed FRG loans, the GDR has been able to reestablish its credit worthiness after the slump of the early 80's. In late 1984, it had no difficulty in raising a Western private bank loan of DM 400 million, followed by a second private loan of DM 500 million in early 1985. While FRG trade with the GDR is only 2% of total FRG imports and exports, the value of GDR trade with the FRG, its second largest trading partner after the Soviet Union, now at about DM 15 billion a year, is already about 12% of the GDR's total value of external trade. This figure will probably increase over the next decade by several percentage points.

The fact that hard times remain ahead for the GDR will maintain the leadership's interest. From 1981 on, the Soviet Union has refused to increase its deliveries to the GDR of raw materials, including oil, has increased the price of oil deliveries to the world market price, and has imposed less favorable trading terms on the GDR for its exports of finished goods to the Soviet Union in return for these raw materials. There will be new negotiations soon for the 1986-91 five-year period. Given the Soviet Union's own economic difficulties, the hardening trend will probably continue.

GDR policy toward Federal Germany is not without risks of increases in public demands for freedom of movement and access which GDR leaders cannot afford to meet without serious loss of control over the GDR population. But the leadership calculates that the net advantage is on its side. A leading GDR academician told an American audience in 1984 that the GDR leadership was well aware that the motivation of the FRG's inner-German policy was, as he put it, to destabilize the GDR, but that reverse was true and the GDR calculated to gain at least 51% of the long-term advantages in this contest for influence.

For the longer term, the GDR hopes that the discrepancy between its living standard and that of the FRG will be decreased through improvements in the GDR economy and, as earlier described, that it can also persuade the Federal Republic cumulatively to place limitations on GDR emigration to the FRG. And the GDR has the new theme of the unique German contribution to world peace as a device with which it can gain somewhat greater freedom of maneuver from the Soviet Union and greater influence over Federal German public opinion and government.

The Outside Environment

It is a requirement of the inner-German policy of both the FRG and the GDR that they cannot permit that policy to become a serious source of friction with their allies. Until 1984, they succeeded remarkably well. This German objective is directly related to the fundamental axiom of the inner-German relationship as it concerns outside states: The inner-German relationship will be supported or at least tolerated by the respective allies of the German states as long as those allies do not believe that the relationship will have any effect in changing the status quo in Europe — but only for so long.

The truth of this principle was vividly illustrated in the West by the nervous response of the French government to the efforts of the two German governments in 1984 to maintain the relationship even after the Geneva negotiations had collapsed; that effort was wrongly interpreted in France as a move toward neutralism by the Federal Republic.

As far as Federal Germany's NATO allies are concerned, the situation is a complex one: Militarily, Federal Germany is the most important European member of NATO. Its allies realize that the inner-German relationship is important to it and generally approve efforts to encourage evolutionary change in the GDR and Eastern Europe generally — as long as the net effect appears to diminish Soviet control over the area. Like each of the two German states, the NATO states are hoping for at least 51% of the total advantage from relations of the NATO states with Eastern Europe. Federal Germany's allies also realize that frontal efforts to bring the Federal Germans to relinquish their inner-German interests could have negative consequences. For its part, Federal Germany wishes to avoid its inner-German policy becoming a source of friction in its alliance relations.

The result is mutual restraint and a general tendency by Federal Germany to downplay its inner-German activities, almost surreptitiously moving ahead so as not to worry either NATO allies, the GDR or the Soviet Union. In 1983-84, the Kohl government deliberately departed from this consciously discreet approach to publicly play up its active inner-German policy in order to cope with a dismaying drop in Federal Germany public confidence following Soviet withdrawal from the Geneva talks. It discovered that this prominence had considerable costs in activating suspicions in East and West; the action will not be repeated soon.

Of Federal Germany's allies, only the United States has the power to put a stop to Federal German policy toward East Germany. Given its fear of expanding Soviet influence in Europe as elsewhere, the Reagan Administration is likely to be as unsympathetic and suspicious about the aims of Federal German policy as any probable American administration of the next decade. Yet the Reagan Administration has come to terms with Federal German policy toward East Germany and officially supports it. In practical terms, it is doubtful that any Western ally can any longer put a definitive halt to West Germany's policy toward the GDR. It is too deeply rooted in Federal German perceptions of their own interests. In the final analysis, the dark historical past of Germany and the fears of Federal Germany's allies that attempts at radical surgery could elicit similar trends provide effective insulation against interference from the Western allies in inner-German policy — from time to time, Federal German officials and academicians warn that the interest of the Federal German population in improved relations with East Germany and in keeping open the ultimate possibility of self-determination for inhabitants of the GDR "needs" to be articulated by the Federal German political system or it could take a "less constructive" form.

The net result over time is likely to be mutual restraint over inner-German relations between Federal Germany and its allies, accompanied by occasional outbreaks of friction and suspicion.

The Soviet Union

Soviet Union has a strong interest that the inner-German relationship should continue. It wants the GDR to become a strong, self-sustaining society. In this sense, it approves the GDR's economic ties to the FRG and GDR loans from the FRG. Presumably, it understands that the GDR policy on human contacts with the population of the FRG contributes to political stability in the GDR. Unlike Federal Germany's Western allies, the Soviet Union probably has it in its capacity to completely sever the GDR-FRG relationship by bringing the GDR to relinquish it. But it is clear that the political cost of doing so would be so prohibitively high in terms of the damage to the GDR's political and economic viability and of the long-term reaction in the Federal Republic that the Soviet Union will not so act.

Yet something clearly happened between early March last year, when Honecker told the then Federal Economics Minister Graf Lambsdorff at the Leipzig Fair that he would come to Bonn that September, and the September 4, 1984 announcement of the postponement of the Honecker visit.

There seems no doubt that the visit was postponed because of negative Soviet pressure. For a short time after the November 1983 Bundestag vote confirming the Pershing deployment in Federal Germany, Soviet policy and propaganda continued to treat Federal Germany as the victim of American INF policy rather than as a co-conspirator with the Americans. Soviet leaders seem to have had some hope that German public opinion might still force a pause in INF deployment in reaction to the Soviet pull-out from the Geneva talks and to heavy Soviet hints that a pause in missile deployment could bring them back to the negotiating table. But, by early May of 1984, the Soviets appear to have given up this hope and Soviet propaganda had launched a strong attack on the Federal Republic as "revanchist", meaning irridentist. It would have been wholly inconsistent with this "punish the FRG" campaign for a highly publicized Honecker visit to the FRG to have taken place. Moreover, there is certain protocol in East-West contacts: the Honecker visit could not take place while the GDR's superpower protector had imposed a freeze in its own high-level contacts with the United States following Soviet withdrawal from the missile talks.

But the more serious Soviet motive for intervening to stop the Honecker visit appears to have been the same one which motivated French concerns over the inner-German relationship -- the fear that, somehow, the relationship was developing to the point which threatened to destabilize the postwar status quo. There is some evidence that this was the Soviet motive and that Foreign Minister Gromyko was a main initiator of the adverse reaction. Lev Bezymenskiy, the author of the first Pravda attacks on GDR handling of the FRG loan in July '84, has long-time connections with the Soviet Foreign Ministry. In September 84, Gorbachev, speaking in Sofia as "second man" in the Soviet hierarchy, warned about "differentiated" Western policies which based rewards to Warsaw Pact countries on the degree to which their foreign policy was independent of Moscow. The reference was to the vocabulary of American policy toward Eastern Europe, which in fact has been based on such a differentiation; the policy was set forth in a much noted and perhaps excessively candid 1983 speech by Vice President Bush in Vienna. But Gorbachev's warning was pertinent both to FRG dealings with the GDR and to American policy toward Eastern Europe, because the Soviets evidently connected the two. In his visit to Washington in October 1984, Foreign Minister Gromyko apparently accused

Administration leaders of wishing to overthrow the post-World War II status quo in Eastern Europe and of colluding with the Germans to do this. And in Gromyko's March '85 discussion with Foreign Minister Genscher in Moscow, Gromyko is said to have expressed concern that Federal German policy toward the GDR could affect the GDR's political system and orientation.[9]

It seems probable that similar negative pressures will be applied in the future if Soviet leaders become apprehensive that events making for a change of status are in the offing. Indeed, similar issues have been raised again by an article under the pseudonym of "O. Vladimirov" in Pravda of June 21, 1985. But, some may think, now that Andrei Gromyko and the old guard are being retired to the Soviet Union, perhaps this is just a rearguard action. Looking at Soviet policy toward inner-German relations in a more long-term sense, one might theorize that, under the more modern leadership of Gorbachev, a group of Soviet officials who are believed to favor a strategy of giving priority to Soviet relations with Western Europe and Japan over relations with the United States — Zamyatin, Zagladin, Fallin are some of them — may become more influential in shaping Soviet policy. As a consequence, the Soviet leadership might begin to show some flexibility as regards adjusting the post-war status quo -- for example, urging that the two German states leave their respective alliances to form a confederation. As we have noted, some version of this possibility is feared by many Western political leaders, and is the ultimate source of their anxious interest in the inner-German relationship.

But seriously intended moves of this kind appear wholly excluded for the indefinite future. Soviet control over East Germany is the keystone of Soviet control over Eastern Europe; relinquishment of control over Eastern Europe would bring shattering disconfirmation of the Soviet system itself. World War II fears of Germany remain active enough to make any form of German unity wholly unpalatable. For the Soviet Union to let go in East Germany would be an action of such magnitude that it would have to be preceded by radical change in the Soviet system itself of which, regrettably, there is at present no sign whatever. Parenthetically, if such change ever occurred, it would be so important a development that it would probably overshadow in significance any movement toward reunification of Germany.

Assuming continuation of the Soviet system in roughly its present form, the conclusion seems justified that, however far inner-German relations may develop in the next twenty years or more, that development will not include far-reaching changes in the nature of the communist system of the GDR which are approved by the Soviets. Gradual, unobtrusive change is possible and will take place as the GDR government adjusts to changing circumstances and continues its efforts to become more viable. But these changes will not bring moves toward changed status of the GDR as a member of the Warsaw Pact.

The Inner-German Security Dialogue

When Chancellor Kohl and Erich Honecker met in Moscow in March this year at the Chernenko funeral, they stressed the special German responsibility for maintaining peace and pledged that not war, but peace must emanate from German soil. A few weeks later, a joint statement of the Federation of Evangelical Germans in the GDR and the Council of German Protestant churches in the FRG stated that war must never again emanate from German soil. The statement of the churches stressed the special German responsibility for peace and for creation of a European peace order. In the Social Democratic resolution of February 1985 submitted for the annual Bundestag debate on the "State of the Nation", the Social Democrats emphasize the "contribution of both German states to the consolidation of peace in Europe". They call for new initiatives for peace, arms control, and disarmament which transcend the military blocs.[10]

These statements provide the conceptual foundation for what in the long-term future could be an important phase of the inner-German relationship, the inner-German dialogue on security issues, a phase which is likely to make Federal Germany's Western allies decidedly nervous, though its long-term significance may be more positive.

The German Social Democrats have already taken the first of the alliance-transcending initiatives which they urge in their resolution. A series of meetings between the East German Socialist Unity Party Politburo and the Social Democratic leadership culminated on June 19 in publication of a draft agreement prohibiting storage of chemical weapons on the territory of Federal Germany, the GDR and Czechoslovakia.[11] The Social Democrats successfully insisted that the agreement contain provision for verification by on-site inspection after discussion of reasons for doubts about compliance has taken place. The Federal German government has responded to publication of the draft agreement to the effect that it is working in the Geneva United Nations Committee on Disarmament on an even more basic agreement to prohibit production of chemical weapons throughout the world. Yet results from the Geneva Committee on Disarmament talks are at best in the far distant future. Public opinion in Federal Germany, and even opinion in the Bundeswehr, which is forbidden to have chemical weapons, is strongly opposed to chemical weapons. This issue could become the focus of intense political controversy in the Federal Republic, a focus which can generate a great deal of friction with the United States, which believes in the deterrent effect of its own chemical weapons stored in Federal Germany against possible Soviet use.

If we take the long-term view, it appears likely that this Social Democratic intiative on chemical weapons, whatever its specific outcome now, will be only the first of a series of similar enterprises. It has already been agreed to hold a follow-up SPD-SED discussion on a zone where tactical nuclear weapons will be prohibited.

One reason for this forecast of future activity in this field is that the progress of East-West arms control, however good, cannot keep pace with German public desires. And the prospects for decisive East-West arms control agreements on European issues are in any case not good. In the long-term, the U.S.-Soviet arms control process is likely to continue to produce only limited results, and controversy over ballistic missile defense seems likely to continue to roil U.S.-European relations for decades to come. At the same time, large-scale negotiated reduction of Soviet forces from Eastern Europe seems excluded for the indefinite future. Over the years, even the most suspicious Soviet leaders have had to concede to themselves that the possibility of war beginning through deliberate NATO attack on Pact forces was low. Soviet troops in Eastern Europe have several functions. Their main one today is to prop up shaky Pact governments. But these governments are unlikely to become self-sustaining, and Moscow authorities are unlikely to be capable of objective determination that this job can be done with fewer Soviet troops.

The motivations underlying the inner-German security dialogue will in the first instance generate strong continuing pressures for arms control from both German governments on their respective great power allies. Specifically, they will bring ongoing pressure to put more content in the Conference on Confidence- and Security-Building Measures and Disarmament in Europe, called Conference on Disarmament in Europe or CDE for short, now taking place in Stockholm among the thirty-five states which signed the 1975 Helsinki Accords. That conference is presently focussing on confidence-building measures of limited signficance, but successive phases may deal with force reductions.

Yet results from Stockholm and other arms control negotiations on the NATO-Warsaw Pact confrontation, like the Vienna force reduction talks, are also likely to be slow and limited. Over a long period, the inner-German security dialogue may increasingly appear a substitute for a bogged down East-West arms control process or else as a supplement for a more active process.

The development and expansion of the dialogue will be supported by a very strong combination of convergent motives. From the viewpoint of GDR and Soviet leaders, FRG-GDR discussion on security issues involves little risk of change in GDR status. It gives the GDR leadership an important role and function of its own in the Warsaw Pact which only it can carry out. Soviet leaders will be interested in the contribution of the inner-German dialogue to long-term Soviet security goals in Western Europe: decreasing the NATO military potential and American influence in Europe, and more active East-West economic collaboration and in its contribution to the shorter-term Soviet goals of mobilizing peace sentiment in the Federal Republic and causing friction between the United States and its European allies. And the inner-German security dialogue will receive sustained support from public opinion in both German states annoyed with slow progress in arms control and frustrated over German dependence on the great power relationship.

Inner-German collaboration on security issues is at present limited to the Social Democratic opposition and to the East German SED in its role of leading political party of the GDR. A broad security dialogue between the two German governments would be far more significant. The Bonn government has taken the initiative to start such a dialogue, but the present official dialogue is limited to rather stylized discussion of the arms control position of both sides and to largely unreciprocated Federal German initiatives to keep the

East Germans informed on Federal German talks with the Soviet Union. Until recently, the East German leadership has been reserved about translating Honecker's declarations into a detailed dialogue on security matters. This is likely to change and the GDR increasingly to become initiator of new topics for the dialogue. Given strong public sentiment in both German states for inner-German discussion of security issues, the Federal German government may come under considerable pressure in coming years to expand this security dialogue on the government-to-government level and it may well be inclined to do so.

The selection of topics for the dialogue which would not risk alienating respective great power protectors will be difficult. When the the projected September 1984 Honecker visit was under discussion, the U.S. government reacted sourly to Foreign Minister Genscher's public suggestion that Chancellor Kohl and Honecker discuss between them the idea of an inner-German commitment on non-use of force. Such matters, the Administration advised, were better left to the CDE negotiations in Stockholm, where a multilateral East-West commitment on non-use of force was already under study; an independent German dialogue could weaken the unity of the NATO negotiating position. In addition to the chemical weapon free zone and the projected agreement on tactical nuclear weapons, the GDR is likely to introduce topics like constraints on the size of out-of-garrison movements, zones completely free of nuclear weapons, and no first use of nuclear weapons — topics of the kind which the Soviet Union and Warsaw Pact have introduced without success at the Stockholm CDE conference. Fearing adverse reaction from NATO allies, Federal German authorities will resist inner-German discussion, and there will be continuing search for appropriate topics. Sooner or later, the search is likely to succeed.

If, as is likely in the decade-long period of this survey, the trend toward an inner-German dialogue on security issues becomes more established, there is likely to be new friction and suspicion between the FRG and the American and other allied governments. These allies would fear increasing Soviet influence on Federal German defense policy, although it is by no means a foregone conclusion that the GDR would have the long-term preponderance of advantage in such a dialogue. It is also not clear that an expanded inner-German security dialogue would have benefits for the East-West military relationship in any short-term sense. Yet if this process becomes established, it might in time bring actual benefits. Even minor adjustments affecting the enormous military confrontation in Central Europe could be worthwhile. Moreover, given the strength of German public support for the abstract idea of a security dialogue, continued efforts to suppress the inner-German security dialogue could reinforce anti-NATO trends and nationalist resentment in the Federal Republic. This would be less a trend toward the overt neutralism which some in the West fear from the inner-German relationship, than a tendency on the part of the FRG to stand back from the U.S.-Soviet confrontation. We have already experienced this attitude of reserve in Federal German public and governmental opinion with regard to the Soviet invasion of Afghanistan and martial law in Poland.

Conclusions

This review of the major factors which will affect the inner-German relationship over the next ten to twenty years indicates that, during this period, there will be continuing interest on both sides in developing the relationship. It can be predicted that the economic relationship between the two German states will become more close-knit, with the FRG share of total GDR trade slowly going up to 20% or more, creating a certain degree of economic dependence on Federal Germany for the GDR. There will be more cooperative ventures like the Volkswagen deal of 1983 with the GDR to produce Volkswagen engines in the GDR. There will be more person-to-person contacts; the years will bring some relaxation on travel into the GDR for residents of the Federal Republic and somewhat better access to the FRG for GDR residents. The Federal Germans may meet some part of the GDR's "Gera demands". There will be more institutionalized exchange arrangements. Dialogue between the two governments on political and security issues is likely to expand. There may be some structured contacts between institutions of the two states, like the contacts between the Federal German Bundestag and the East German Volkskammer which the SPD is currently urging. Increasing contacts between Land governments, courts, trade associations and trade unions on both sides are probable. There will be an expanding network of contacts between private associations of a cultural nature. All of this will be sharply regulated by the GDR for fear of defections and its extent will not match Federal German expectations. It will be both expensive and expanding.

Nonetheless, for the next two decades, experts in both the Federal Republic and the GDR expect the inter-state relationship to continue much as it is now, with successive ups and downs, held together at the difficult moments by the interest of both sides in continuing the relationship, yet with enduring caution by the GDR over engaging in institutionalized cooperation except in selected if important areas.

There seems no prospect of change in the Soviet Union within the next generation which would bring major changes in Soviet determination to hold firmly to East Europe and to prevent all change in status of the GDR which could threaten that hold. The Soviets seem likely to retain large forces in Eastern Europe indefinitely. Indeed, over the next twenty years, it seems more likely that there may be fairly sizeable reductions in American forces in Central Europe than in Soviet forces either because of possible changes in American attitudes toward the Soviet Union or American frustrations with their West European NATO allies. The only positive changes the Soviets will permit in the inner-German relationship will be those intended to increase the viability of the GDR economy and to further Soviet interests in Western Europe.

Yet most evidence indicates that the inner-German relationship will continue and that it will also continue to provide those important benefits to stability and security in Europe which are already its products — supression of frictions between the two German states in the area of the world's most intense military confrontation, continued access to Berlin and assurance that this issue will not become a source of East-West conflict; and stabilization of the situation in East Germany, the one area of Central-Eastern Europe where widespread public unrest could also trigger world war.

The future may bring more such benefits, especially if we are wise enough to take advantage of the trends which could produce them. For the next twenty years, then, the developing inner-German relationship seems more likely to improve the security situation in Central Europe than to result in a change of the post-war status quo to the benefit of either side. That is, the inner-German relationship will not in the next decades move toward unification of the two German states, but it may contribute further to tempering the consequences of the East-West military confrontation in Europe. This is a development which the Western states should seek to further, not to stifle.

If we look much further ahead, we can see the possibility that the strength and durability of German interest in changing the status quo in Central Europe might outlast and prove greater than the strength and durability of Soviet interest in maintaining that status quo. But if this possibility in fact emerges, its practical effects, good or bad, are more than a generation away and far beyond our sight.

FOOTNOTES

[1] Public Soviet commentary on this issue was extensive. See for example FBIS for the Soviet Union of 27 July 1937 and 8 August, 1944, also "Chill in Bloc: Soviet Chides Germans" by Serge Schnemann, *New York Times*, August 6, 1984 and "Soviets Fear Effects of a German Detente", by Dusko Doder, *Washington Post*, August 11, 1984.

[2] See Spiegel, NR12/1985, pp. 19-20.

[3] In practical terms, the concept of "Keeping the German Question open" in Federal German usage is also a shorthand reference to maintaining the rights and responsibilities of the four allies of World War II — the United States, the United Kingdom, France and the Soviet Union — for Berlin and Germany as a whole; inter alia, these rights are the basis for the Soviet commitment to unrestricted civilian access to Berlin in the 1971 Quadripartite Agreement on Berlin.

[4] See for example Gebhard Schweigler, *West German Foreign Policy; The Domestic Setting,* Washington Papers 106, Praeger 1984.

[5] Speigel, 44/1984 October 29, 1984, p. 43.

[6] Published in *Geopolitique*, Paris, Winter 1984-85 Edition.

[7] Unpublished lecture by Dr. Gerhard Herdegen, November 8, 1984 at the Wilson Center, Washington, D.C.

[8] Cited in "At Yale, World According to Schmidt," by Colin Campbell, *New York Times*, April 6, 1985.

[9] "Gromyko Lectures Genscher," by Celestine Bohlen, *Washington Post*, March 5, 1985.

[10] Text in *Informationen der Sozialdemokratischen Bundestagsfraktion*, #353, February 26, 1985.

[11] The text is in FBIS for Eastern Europe of June 26, 1985.

Senator **Pressler**. Thank you for that excellent statement.

Mr. Calleo, we would hear from you now.

STATEMENT OF DAVID P. CALLEO, PROFESSOR, THE JOHNS HOPKINS UNIVERSITY SCHOOL OF ADVANCED INTERNATIONAL STUDIES

Mr. **Calleo**. Thank you, Mr. Chairman. Let me begin by saying that I have been working for the last 3 years on a project for the Twentieth Century Fund—a broad study of American-European relations in general and our connections with NATO in particular. What I say will reflect that study, which I hope may be useful for your own thinking.

Senator **Pressler**. Good.

Mr. **Calleo**. On the essential issue of these hearings, the question of NATO as a competing priority in American policy, my views are rather conservative.

Western Europe's independence, prosperity, and democracy seem to me as much vital interests of the United States today as in 1949 when NATO was founded, and for all the familiar reasons.

We Americans come from many parts of the world and from many cultures, obviously not all European. But Europe is the cradle of our political culture. Western Europe remains the major other part of the world where political and economic freedom are firmly implemented and reliably practiced. The world would be a very lonely place for a democratic America if Western Europe were to fall under the domination of an alien political or economic system.

There are also obvious military reasons. Western Europe contains three great military powers, two of whom have nuclear weapons. Economically, Western Europe's European Community forms the world's biggest economy, aside from the United States, with enormous productive capacity and highly advanced technology. As a trading power, the European community surpasses the United States.

These realities have traditionally boiled down into a geopolitical principle that has been at the heart of American foreign policy since before World War II: It is our vital interest that no hostile power should dominate Western Europe, particularly not a power that would combine the resources of all Europe—East and West—against us.

There is a different way of saying the same thing: It is our vital interest that there be a balance of power on the Eurasian land mass, in particular one that protects Western Europe's independence. These principles were valid in 1939, valid in 1949, and, it seems to me, remain no less valid today.

That being said, it is also true that the world has changed a great deal since 1949. The world has enjoyed a long general peace. Most of the older industrial countries have vastly increased their wealth and production. What is now called the Third World has achieved political independence and many parts of it have also achieved remarkable economic growth.

While we can rightly take some considerable credit for this long and prosperous peace, it is also true that, from an American perspective, these accumulated changes have inevitably meant a relative weakening of the United States in relation to the world as a whole. We are not weaker absolutely, of course, but relatively. It is not that we are sinking but that the rest of the world is rising. Certainly the United States is stronger economically and militarily than it was in 1950. But we are not nearly as strong as we were in relation to the rest of the world together.

This relative weakening is not the result of the failure of American postwar policy, but, on the contrary, a result of its success.

It was our policy after World War II that Europe and Japan should recover. Well, they have recovered, and the almost inevitable result is that they are much stronger in relation to us than they were in the late 1940's, when they were devastated by the war.

Our postwar policy was also to promote independence and development in the Third World. Today the Third World has evolved to the point where it not only is politically and militarily independent, but some of its countries, as we well know, have become very formidable industrial competitors, and look likely to be even more formidable in the future. Again, we are inevitably weaker in relation to that Third World than we were in the late 1940's, when the process of postwar independence and development was just getting underway.

Even in regard to the Soviet Union, our postwar policy was not to destroy the Russians, but to contain them in peaceful coexistence. Our success in doing so has given the Soviets 40 years of peace. Considering the wars and revolutions in Russian history in the first half of this century, it should not be surprising that the 40 years of peaceful coexistence has meant a Soviet Union that is stronger in relation to us than the Stalinist wreckage left in the late 1940's.

Inevitably, this relative diminishing of our strength has its consequences. The great problem for American foreign policy over the past 20 years, in my view, has been how to adapt our world role and commitments to this relative weakening of American power. The simplest answer is to say we do not adapt at all, that we continue resolutely with the same broad commitments, even though those commitments were undertaken under very different global circumstances. We and others have got used to this role, and have adapted our respective ideas and institutions accordingly. Together America's commitments amount to a kind of managerial role in the postwar world system. Any change always risks a certain destabilizing of the international system as a whole. That system, all in all, has been very comfortable. It represents a great American historic achievement. It is not surprising that there is great diffidence about change, not only on our part, but also on the part of our allies and, indeed, our adversaries. As a result, the prevailing reaction from one administration to the next has been to carry on our postwar role—either with reduced resources or by trying to restore somethng like our earlier margin of superiority in the world.

The latter has certainly been the policy of the Reagan administration. It came into office with the broad view that our relative military power was no longer sufficient to serve our commitments. It has certainly made a heroic effort to restore that military power.

Its reasoning was perhaps not very different from that to the Carter administration, whose military buildup, if not on the same scale, was undertaken for the same reasons.

No one can deny that the Reagan administration has had the courage to follow its own convictions. But the consequences of its policies to build up adequate military power for our present world role has had a result quite different from what was intended. The consequences of our military buildup have brought into sharper relief than ever the need to redefine our world role and its commitments. In their present form, these commitments are not viable over the long run. What the Reagan administration has revealed with perhaps unprecedented clarity is how overstretched the United States has become.

This is true not only in the military sphere, where we continue to be haunted by a sense of inadequacy, despite the huge expenditures, but, above all, in the economic sphere, where the signs of American overextension, though hardly new, have grown much more alarming than previously.

The link between America's geopolitical overextension and its chronic economic difficulties is a large subject, which I have tried to deal with in a recent book, "The Imperious Economy," published by the Harvard University Press. It also forms a large section in the NATO study. For although NATO's present arrangements have many, and increasing, vulnerabilities militarily, their most pressing weakness lies in their economic vulnerability. The problems that were being discussed earlier this afternoon—our trade difficulties and the consequent rise of protectionism—form a good illustration of these connections between economics and geopolitics.

As several distinguished economists have argued in recent weeks, our own trade problems are basically not microeconomic but macroeconomic. They are not primarily the result of particular abuses to be remedied by specific agreements about tariffs or subsidies; they spring essentially from the unfavorable terms of trade for American products caused by an overvalued dollar.

That overvalued dollar, moreover, is primarily the result not of foreign connivance to keep the dollar up, but of our own domestic combinations of fiscal and monetary policy through most of the Reagan administration. The Carter administration was already having serious difficulty with its fiscal policy. The Reagan administration compounded the difficulty by greatly intensifying the military buildup and, at the same time, cutting taxes. This meant a very large fiscal deficit, with a huge demand for credit from our Government. The Federal Reserve, already struggling desperately against the inflation that had been building to new peaks in the Carter years, refused to monetize the mushrooming Federal deficit. This has meant very high real interest rates, a large inflow of capital from abroad and, in consequence, an overvalued dollar.

The overvalued dollar makes American tradeable goods not competitive at home or abroad, which naturally encourages protectionism in this country. It seems difficult to overestimate the long-range cost of these conditions to many American industries or to the long-range prosperity and basic economic strength of this country. At the same time as we have been undermining our productive strength, we have also been accumulating an unprecedented level of debt, in peacetime, and with much of it owed abroad.

As everyone knows, this American macroeconomic policy also has unfortunate effects elsewhere. An unnaturally strong dollar and unprecedented real interest rates put great strains on debtors everywhere, including the United States. The world's financial structure has grown precarious as a result. As our own fiscal and trade deficits continue to suck in much of the world's free capital to finance our current consumption, there is a great shortage of capital for real investment—even in the highly developed European countries who need to adjust their industries to the development of manufacturing in the Third World or to the opportunities and challenges of today's rapid technological change.

Because of their high costs at home and abroad, the Reagan administration's macroeconomic policies do not seem sustainable. We cannot continue year after year to absorb a good part of the world's saving for the mounting American debt. We cannot go on with an annual fiscal deficit which is $200 billion at the top of a business cycle, and which could certainly be much larger. Nor, in my view, will we find it as easy to inflate ourselves out of this crisis as we have found it in the past.

It is in this context that we have to look at our military budget and its chronic inadequacy for our military commitments. For a start, any serious attempt to deal with our current fiscal predicament will find it very difficult to ignore our military budget. And if we look at the American military budget, it is difficult not to notice, unless determined not to, the very large proportion of it taken up by the NATO commitments. I refer, of course, not to the cost of keeping troops in Europe as opposed to keeping them in the United States, but to the overall military posture required of us by our European military commitment.

Our present NATO role amounts, in effect, to a sort of American protectorate for Western Europe, where we not only provide the nuclear deterrence but also take charge of organizing conventional defense as well. For such a role we need a large land army of our own for Europe, in peacetime without the draft, as more or less a permanent state of affairs for our military budget.

A moment's reflection suggests the dimension of such a requirement of our 16 standing divisions, 5 are in Europe and 5 more are earmarked for Europe and constitute a major portion of NATO's operational reserves in any quick mobilization. Two-thirds of our army, in other words, has NATO as its primary mission. Much of the rest of the military budget goes for the elaborate support infrastructure to deliver quickly and sustain this large force across the ocean. Most of the rationale for the 600-ship Navy is to sustain such a force from the start of any war.

It seems obvious, in other words, that NATO in its present form is inherently a very expensive proposition for the United States. It is instructive to note the disproportion between our military spending and that of most of our European allies: above all the Federal Republic of Germany, whose military spending as a proportion of GNP in 1982 for example, was 4.1 percent as opposed to our 6.5 percent. The Federal Republic spends so much less not because it is unconcerned with its own defense. It has an excellent standing army and a very efficient reserve system. But its army costs it a great deal less than ours costs us. This is not merely because the Germans are more efficient. They also have a rather obvious comparative advantage over the United States in providing a land army for Europe. The reasons are obvious: They live there; their public will support conscription; and it is, after all, their own territory that they are defending. There seems a larger lesson in this. In remembering that European independence remains a vital American interest, we should not ignore that it is also a vital interest for the Europeans. Europe does have immense resources, with three major military powers, two of them nuclear. Historically speaking, it strains credulity to believe that France, Britain, and Germany are incapable of maintaining a military balance against Russia on the European Continent.

This line of reasoning is meant to suggest not the end of NATO, but what might be called its Europeanization. What does that mean? Given America's continuing interest, Europeanization most emphatically should not mean an end to any American commitment to NATO, but it should mean a shift within the alliance of the primary responsibility for organizing and maintaining the European military balance, particularly the conventional balance. It would change NATO from a protectorate to a more traditional alliance. It would shift the American role from that of an outside hegemonic protector to that of an outside ally backstopping the Europeans.

While Europeanization logically implies a European SACEUR, which former Secretary of State Henry Kissinger suggested several years ago, it does not preclude some American troops in Europe as a token of our continuing commitment. More important than the size of this contingent would be its sustainability. It would be far better to have 3 divisions for NATO that we can afford than 10 which we cannot.

However, Europeanization would preclude continuing America's responsibility for providing the major reserves for a rapid European mobilization. Dropping that responsibility would open the way to a major savings in our military budget.

Europeanization implies a corresponding strengthening of European nuclear forces. The United States could serve its own vital interest both by continuing its own nuclear deterrence for Europe and by making sure that European nuclear forces continued to be effective.

More Europeanization of NATO is hardly a new idea. Almost from the beginning of the alliance, we have been complaining that the Europeans do not do enough. Our effort, however, has been directed not toward a genuine Europeanization—a shifting of primary responsibility for European territorial defense to the Europeans—but rather toward getting the Europeans to contribute more to an effort run by us. Not surprisingly, our success has been limited. Aside from Germany, the major West European military powers—France and even Britain—have developed and kept a good part of their forces outside the NATO structures commanded by us. So long as we have been willing and able to provide Western Europe with a protectorate, there has been no reason for the Europeans to try to supplant us. On the contrary, they have taken advantage of our role both to develop military capacity they could not have had otherwise, at least not without spending substantially more. No one has really wanted this status quo to change—neither we nor the Europeans. But given the economic realities just described, it seems clear that the United States will eventually face a major crisis over its fiscal situation, and hence over its military posture.

Rather than hide our heads in the sand and ignore the changes that have so clearly been taking place in the world, or setting ourselves resolutely to defy them, it seems more sensible to see how we can turn these changes to our advantage. A strategy of Europeanization, or devolution within NATO, is, in effect, a strategy to adapt to the relative decline of our own power in an inevitably more plural world by learning to make full use of the strength and interest of others. It is not meant to be a policy of neo-isolationism but of prudent internationalism. If we learn to follow such a policy, there seems little reason why we should not go on indefinitely as the world's strongest and most prosperous country. But if we lack the wit to adjust our role to a changing world, we will ruin ourselves and pull down the global political and economic system we have created.

I realize these observations raise a large number of issues that cannot be dealt with in a brief statement. I naturally try to deal with them in the study on NATO mentioned at the outset. Let me, however, mention a couple of points to sketch the broad argument a bit further.

It bears noting that Europeanization does not logically rest upon any sanguine hopes about the Soviets. It presumes that it remains essential to maintain the European balance. The problem is the American role in maintaining that balance, rather than whether or not it needs to be maintained.

Furthermore, changing America's NATO role is obviously not a panacea for our economic problems. But Europeanization is a response to our problems that is possible militarily and politically, and would, in turn, begin to make it possible to get our fiscal problem under control, starting with the military budget itself. To be sure, the prospects will depend on whether Congress and the administration can impose fiscal discipline on the military budget and endow the Defense Department with the structure needed to frame both a coherent military strategy and a national military budget.

Finally, Europeanization is not an adjustment that has to be, or should be, made brutally or abruptly. It had better be made deliberately, however, as an object of American policy, rather than involuntarily, as a result of some catastrophic degeneration of America's financial position or a steady deterioration of the international economy. We might inaugurate this deliberate policy of Europeanization by making clear to our major allies, quietly, that we are determined to put our own economic house in order, and that doing so inevitably means a redefinition of our global role, a redefinition that will acknowledge the rising strength of others who share our interests and expect, as a result, a new division of labor in serving common purposes. This means, first and foremost, a Europeanization of NATO.

I have stressed in my remarks the economic necessity for Europeanization—our fiscal crisis and our comparative disadvantage in providing ground forces to Europe. I might, however, have made the military case as well. This is, of course, a very large topic and I can only mention here one or two points to suggest the larger case.

Our military problems in NATO are essentially the problems of extended deterrence under conditions of global strategic parity. Those problems have grown more and more intractable as our own vulnerability has increased, which, in turn, has inevitably eroded the credibility of our nuclear deterrence for Europe. Our response has been counterforce strategy, which has not resolved the problem but has greatly fed the arms race. Our most recent response is the strategic defense initiative. While it could theoretically improve our counterforce position, it cannot reestablish our old invulnerability—the invulnerability that made it seem so easy for us to take on the NATO commitment at the end of the 1940's. What SDI, and all another advanced weapons systems will do, however, is increase the strain on the military budget and thereby make increasingly improbable our ability to go on sustaining the manpower requirements of the NATO commitment.

The more promising solutions to the problems of extended deterrence lie elsewhere. One solution is an indigenous European deterrent—so that the Soviets have to reckon not only with our willingness to die for Europe but also the Europeans' willingness to die for themselves. The other solution is, if not a "No First Use" policy, at least a serious conventional deterrent—so that nuclear weapons are not, in effect, NATO's first line of defense. Neither of these solutions to extended deterrence—an indigenous European nuclear deterrent or a real conventional deterrent—can be sustained by the United States. By definition, we cannot manage a European nuclear deterrent. And we manifestly cannot provide, from our side of the ocean, a standing conventional deterrent. As it is, the wholly inadequate force we do provide is clearly beyond our means.

Incidentally, it is not as if the Europeans themselves have never thought along these lines. Not long ago, for example, former Chancellor Helmut Schmidt put forward a proposal suggesting how France and Germany might, in effect, form a new partnership to resolve the festering military, economic, and political problems of European defense. But all such schemes are bound to remain visionary so long as we appear determined and able to sustain our traditional leading role in NATO. Given the fiscal and military pressures undermining that role, is it not in everyone's interest that we strongly encourage the Europeans to get on with it?

Let me conclude by returning briefly to the broad geopolitical point raised at the outset. It is a vital American interest that there be a Eurasian balance of power that protects Western Europe. Since the end of World War II, that requirement has been defined as the containment of the Soviet Union. While Russia may have improved somewhat since Stalinist times, it remains a barbaric and formidable adversary. The task of containing it, however, ought certainly to have grown easier. The recovery of Europe and Japan, the rise of China, India, and the Moslem Middle East have surrounded the Soviets with a ring of powerful neighbors.

Four of them have nuclear deterrents. Under these circumstances, it seems implausible that the United States must take the direct lead in sustaining the European territorial balance. When it seems clear that we are, in fact, less and less able to do so, and that the attempt does both ourselves and our allies great harm, then the situation begins to have the makings of a great historical tragedy—all the worse because it seems so unnecessary. Thank you.

Senator PRESSLER. Thank you very much.

We are very fortunate to have both of you here.

Let me just talk a little bit about German reunification or the role of the two Germanies. I will address this to both of you, but to you first, Ambassador Dean. I found your remarks so fascinating.

I was intrigued on the 500th anniversary of Martin Luther's birth that it was the state of East Germany that embraced him, while West Germany did not necessarily do it as a state. I have been trying to assess your statement, in which you observed it would be totally unacceptable to the Soviet Union, as we know it, it would be the most devastating thing to their whole strategy to withdraw East Germany. It would almost be an impossible dream, so to speak.

But I think in the back of everybody's mind is that some day, somehow, Germany is going to be reunited; or if not reunited poltically, at least culturally, maybe through tourism or cultural exchange. Maybe on paper it won't be reunited, but it will come together in more ways than one.

If you could, would you give a little more analysis of this situation, what will probably happen or what could happen on the question of Germany.

Ambassador DEAN. As regards opinion both in West Germany and East Germany?

Senator PRESSLER. Yes.

Ambassador DEAN. I see no prospect of formal German reunification for the foreseeable future because of the Soviet position. I think Soviet withdrawal or real relaxation of their hold over Eastern Germany would lead to the fall of their system throughout Eastern Europe, and I think that they are not prepared to accept the implications of that for the legitimacy of their own, Soviet system.

Once their system expanded to Eastern Europe, it has been taken by them as a corroboration of the rightness of their central outlook, and to let this system collapse as it would without their military presence would be a blow at the vitals of their own self-belief. I believe that is the main factor holding the system in Eastern Europe intact and in position at the moment and for the future.

It is perfectly true that the East Germans celebrated the 500th anniversary of Martin Luther. Of course, part of Germany where he was most active is on their territory. But that activity was a part of their effort to lay claim, lay hold of roots in German history.

Recently, they have also brought Bismarck to the fore as a worthy precursor of their own approach. It is rather implausible for us outside the German Democratic Republic to see this very conservative German leader advanced as a historical forebear, in effect, of the present East German Communist system.

Yet the leaders of the German Democratic Republic are at great disadvantage in terms of consolidating themselves and making their system self-sustaining, perhaps the greatest disadvantages of any of the Eastern European societies, which all have acute difficulties in this regard. This is because the East German population have before their eyes Federal Germany, a different and more successful society. They have daily evidence through television and radio, through 23 million phone calls a year from the Federal Republic, and 8 million visits, of the essential difference between the two systems. Those testifying to the real quality of Federal German society, of course, are members of their own family, people whom they believe, relatives and friends.

So, the possibility of consolidating a self-sustaining separate nation in East Germany seems quite remote.

Senator PRESSLER. But it would seem that all this communication would encourage it, wouldn't it? Wouldn't they, hearing about greater prosperity, be encouraged? Also, what geographically or what economically causes East Germany to have, as you say, a harder time to get going economically than almost any other Warsaw Pact country?

Ambassador DEAN. Well, I don't think they have a harder time. Actually, their economy is rather better off than most of the others. In fact, they lead. But they lead in my opinion because of the subsidies from Federal Germany. After the serious difficulties which the bursting of the East European credit bubble caused in the early 1980's, East Germany was the first of the Warsaw treaty countries to reestablish itself. This was certainly because of almost 2 billion marks in loans from Federal Germany banks, or organized by Federal German banks. They reestablished the creditworthiness of the German Democratic Republic and put it back on its feet.

The German Democratic Republic is moving ahead in the economic sense; but I think its basic difficulty is the centralized Communist economic system which keeps its economy at a lower level than otherwise the industriousness and education of the population might achieve.

You remarked, Mr. Chairman, that some day there might be German reunification in spite of all of these factions we have been discussing, like superior Soviet power and the importance of this issue to the Soviets. I think the basic question is about the durability and strength of the German interest to change the status quo over a long period of time, as compared with the durability and strength of the Soviet desire to maintain their hold over East Germany.

I think it is beyond our political vision to even guess what that outcome will be. But I myself am impressed by the continuing strength of the German interest.

Senator PRESSLER. Do you have anything to add to that, Dr. Calleo?

Mr. CALLEO. I agree with Ambassador Dean's skepticism about transformations in Eastern Europe, or radical progress toward German reunification. In addition to his reasons, I might add the particular Russian fear of Poland, a fear that makes them want to insulate it.

Senator PRESSLER. Russian fear of Poland?

Mr. CALLEO. A sort of Soviet domino theory. If Germany were reunited, Poland would become the Soviets' sole buffer to the West. They would fear that unrest in Poland would be much more difficult to contain if Poland had a border with even a neutral Germany, rather than the German Democratic Republic. In any event, I see no sign that the Soviets are inclined to change their views on Germany.

But it is also true, as Ambassador Dean suggests, that there has been considerable change in Eastern Europe and in relations between Eastern Europe and Western Europe. In particular, of course, the present relationship between the two halves of Germany is very interesting and, in some respects, has grown quite intimate.

In general, West European influence in Eastern Europe has grown considerably over the past couple of decades. What has happened in Poland, very discouraging in many respects, also reveals the persistence and durability of pressures for reform, as well as a certain increase of Western influence. From a European point of view, particularly a German point of view, this suggests that pan-European detente does have a long-range payoff, which explains why Europeans are very reluctant to undo their bridge-building policies in response to our pressures.

I believe the West Europeans are basically correct in these policies. They have had considerable effect and, within reason, they should continue. It is hard to see any sensible alternative to pressing forward, patiently, with policies to further a more and more intimate pan-European system. I do not think we can stop the Europeans from persisting in such policies and should not try—beyond seeking to safeguard military technology and some semblance of normal commercial standards.

There is another dimension to this European Eastern policy which is worrisome, however—a certain tendency among some circles in the Federal Republic toward nationalist isolationism in dealing with the East.

All West German parties have stressed their dedication to continuing peaceful efforts to further some form of national reunification. The present government coalition, particularly the Christian Democrats, have gone out of their way, however, to stress that the future reunification of Germany is a European problem rather than just a German problem. Ending the German division, in their view, has to be part of a process of bringing together East and West Europe, rather than merely of bringing together Germany in isolation. Recreating Bismarck's unified but isolated Reich would merely recreate all the old European problems of a Germany in the middle which is isolated and which everyone else is afraid of. Thus, the Christian Democrats stress, the German problem has to be resolved in a more general European context.

This, of course, is not a universal view in Germany, though I think it is fair to say that it has been the view of most people in power from the start of the Federal Republic. Still, we see in the SPD at the present time a wing which is much more nationalist—

by which I do not mean anything sinister in their intent—merely that they see the German problem very much in German rather then European terms.

I think this view has consequences which we should be careful of. Indeed, it is one more reason to hasten the Europeanization of NATO. At the heart of the German nationalist policy is the assumption that the United States will go on forever as an outside protector maintaining a military balance in Europe. This assumption encourages these Germans, in turn, to advocate a political policy toward the East which is essentially both nationalist and neutralist. It is not that these Germans are pro-Soviet or want to be "Finlandized," but since they assume that the military balance can be taken for granted because the Americans will maintain it, they are perhaps more adventurous toward and sanguine about the East than they ought to be and they are, at the same time, disinclined toward political and military cooperation with the French, because they fear such cooperation might hamper the nationalist diplomatic policy toward the East which they prefer.

It is quite understandable why this particular group of Germans might think in this way. But I do not think it is in the American interest to encourage them. The principal way we do encourage them, of course, is by encouraging them to believe the American military protectorate will last forever, so that there is no need to press ahead with Franco-German military cooperation. On occasion, of course, we have actively discouraged that cooperation on the grounds that it might be aimed at supplanting us—a particularly stupid reaction on our part, given the general circumstances we have been talking about. This is one more reason why I would feel we ought to begin actively encouraging West European cooperation. Otherwise, we are subsidizing neutralism in Germany. I should add, of course, that West European military cooperation should not be promoted as an alternative to trying to reach some kind of settlement in the East, but rather as a necessary precondition for safe and successful West European Ostpolitik.

Ambassador **Dean**. I think it is understandable and inherent in the nature of the German situation that we in the West worry and speculate about neutralism in Germany or about some shift in German allegiances. It has been the great fear of Western leaders from the beginning of the division of Germany, that somehow Germany would pull out of the Western alliance leaving a huge opening for the expansion of Soviet influence over Western Europe.

It is true that for the first time in two decades there is now a party in the Bundestag, the Greens, which occasionally trifles with this particular approach.

But there are really two enormously powerful guarantees against any serious move in that direction. The first is the importance to the Soviet of their continued hold over Eastern Europe. The second is the very clear realization by West Germans of the benefits of their own democratic system and of the total improbability that the Soviets would permit any relaxation of their hold over East Germany which brought genuine political freedoms.

It is not necessary to cite public opinion polls, but there was a recent one which asked Federal Germans if they were willing to give up their democratic system in order to have reunification.

Something like 90 percent said no. About 2 percent, which represents the fringe group, said yes.

So I do not disagree with Professor Calleo in general. A certain degree of specialization would bring an improvement in the military situation—perhaps not so much the Europeanization of the shape commander, but a specialization of function among the NATO partners. There are many things that could be done to increase ground forces if, as has been suggested, Danes, Federal Germans, and Netherlanders decreased their air and naval forces and increase their ground forces; and if the United States would station the fighter planes that it would bring to Europe in case of conflict now so that they can be on hand and make it possible for these other NATO countries to reduce their air force.

Many other things of this kind can be done. And, of course, if there were a real change of heart in the case of France in the long run, there could be important change in the military coordination and cooperation it gives.

I am rather optimistic about the long range. I think that the competitive difficulties of the Soviet Union in the fields of politics, economics, and social organization have become quite evident the world over, and certainly in Western Europe, where we have even the Italian Communist Party talking about dropping the term "Communist" from its name in order to make a broader appeal to Italian voters.

So in the longer term, I think we can be quite confident of the outcome of our competition with the Soviets. But change—and that is what we are talking about and what the Senate is talking about in its examination of United States interests in Europe—change in the United States-European relationship can be destructive or it can be constructive. The difference is in the type of transition that takes place, whether it is in a hostile atmosphere of friction or one of mutual understanding.

That is why I urge, and I think Professor Calleo also does so from his viewpoint, the continuation of strong support and interest from the United States for NATO and for the inter-German policy as well.

Senator **Pressler**. My final question is kind of tangential, but it sprang from something you said about the number of telephone calls into East Germany. Recently I was in Greece, and as I understand it, you can only get two or three television channels there. They do not have 30 or 40 channels.

That led me to do some thinking. If one can see candidates for public office debating in other countries, one might wonder why they don't here. I am just citing Greece and maybe that is a little bit unfair. Maybe you can in some circumstances have a direct satellite receiver.

I was on a ranch in my State of South Dakota this weekend where they get 42 stations, far more than we can get two blocks from the White House. In fact, my stepdaughter goes out to the suburbs so that she can watch cable TV. That shows you how deprived we are here.

But to get back to Europe, I had never before thought, and it just clicked today, that you can direct dial a number in Poland and talk to people. The communication between East and West Germany, the visits, the telephone calls that you cited are all interesting. Of course, we have Radio Free Europe and all of that, but that would be just commercial broadcasts that people would pick up from Berlin or from across the border, is that correct? They are not getting this off direct satellite or something of that sort?

Ambassador DEAN. No. It is a very interesting situation. German radio and television is organized on the basis of regional centers, tax supported. Radio can be heard all through East Germany. There is no place where you cannot hear radio and there is no jamming of it.

Television can be received by about 80 percent of East German households.

Senator PRESSLER. Just straight broadcasts?

Ambassador DEAN. Earlier, East German authorities tried to discourage the antennas necessary to receive TV from Federal Germany, but for years the antennas have been sprouting up and it is recognized that they are very widely used. As a matter of fact, an interesting development is apparently taking place. There is an area of East Germany around Dresden known as the "dead zone," simply because they cannot receive Federal German television. The East German authorities seem to be considering piping it in as cable TV in order to keep workers more satisfied.

So, the impact of receiving right in your own living room a continual vision in your own language of a competing society, a different society is enormous. It is as though, in pure imaginary terms, Canada were occupied in this sense and had this capacity to look at the United States, or vice versa. In this case, television has a tremendous and continuing political impact. This is the kind of thing which makes me question the capacity of the East German Government to become self-sustaining.

Next year or in the near future, I think, that the Austrians will be sending up a television broadcasting satellite, with the capacity to broadcast to the ground in East Germany and Eastern Europe. That will be the beginning of an important new development of the kind that you are indicating, which should have great influence in the longer term.

Senator PRESSLER. I thank you both very much. We are very lucky to have had you come to testify. I know that you are extremely busy.

I thank you very much.

This committee stands in recess.

[Whereupon, at 4:30 p.m., the subcommittee recessed.]

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